# Reports and Consolidated and Separate Financial Statements at December 31, 2023

GRUPPO BCC
ICCREA

# Report and consolidated financial statements at December 31, 2023 of the Iccrea Cooperative Banking Group

# Report and separate financial statements at December 31, 2023 of the Parent Company Iccrea Banca S.p.A.

**Iccrea Banca S.p.A.**
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
Entered in the Register of Banks at no. 5251
ABI code no. (08000)

BCC BANCA ICCREA

**CONTENTS**

# REPORT AND CONSOLIDATED FINANCIAL STATEMENTS OF THE ICCREA COOPERATIVE BANKING GROUP

# CONSOLIDATED REPORT ON OPERATIONS

December 31, 2023

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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

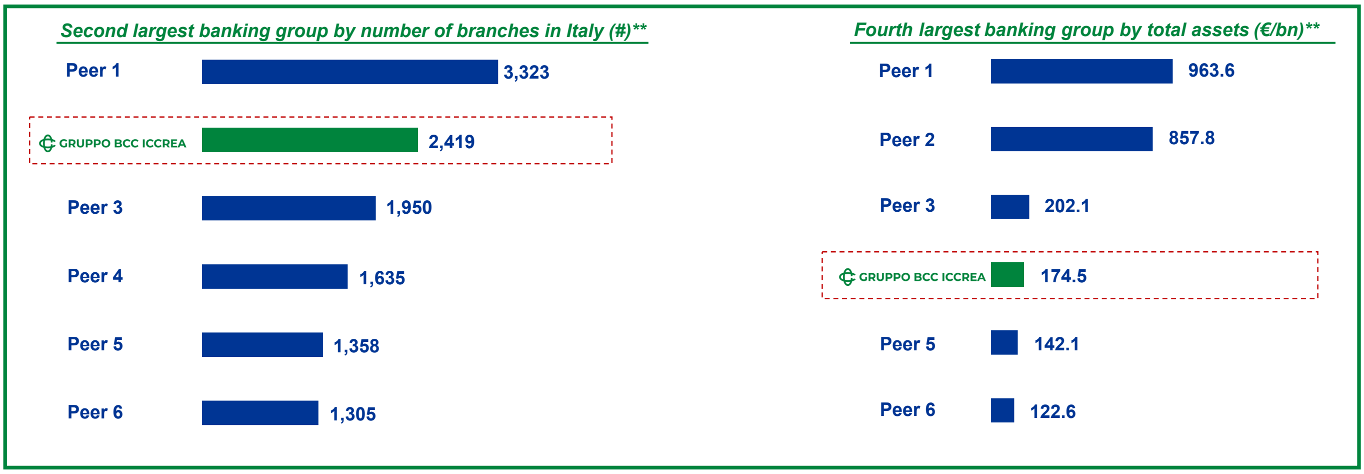
| | |
|---|---|
| PASTORE Mauro | *General Manager* |
| ROMITO Francesco | *Senior Deputy General Manager* |
| GALBIATI Pietro | *Deputy General Manager* |

# 1. EXECUTIVE SUMMARY

## KEY FIGURES AND MARKET POSITIONING

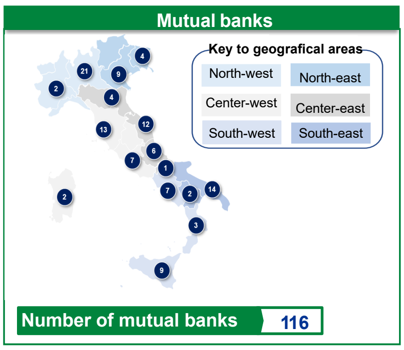
**Key indicators**

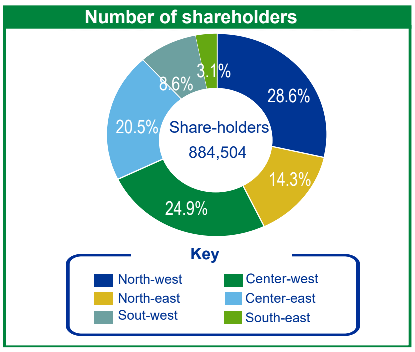
| | | | | | |
|---|---|---|---|---|---|
| **2,419** branches | **22,347** employees | **885 thousand** shareholders | **€14.3 billion** own funds | **€94.4 billion*** loans to customers | **€120.3 billion** direct funding from customers |

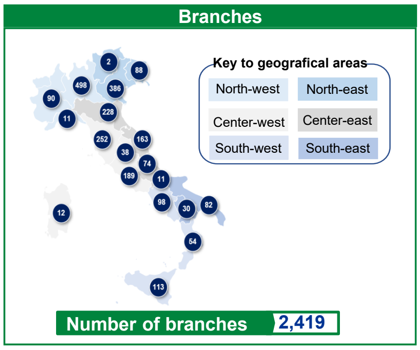



* Gross loans to customers
** Source infoproviders: figures at December 31, 2023

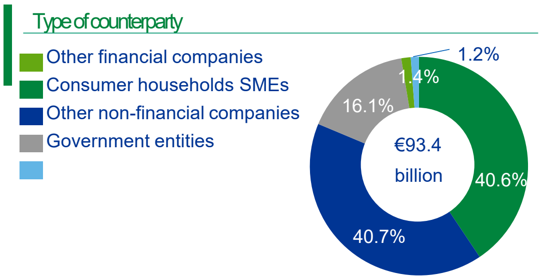
## GEOGRAPHICAL POSITIONING OF THE GROUP RETAIL BANKS

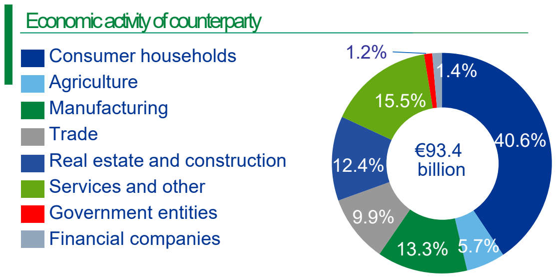


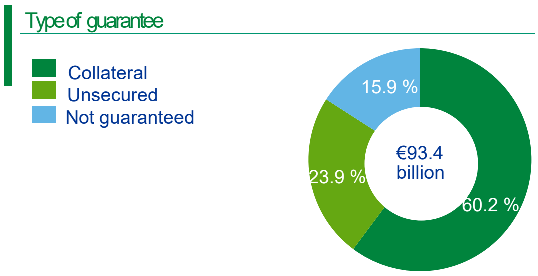



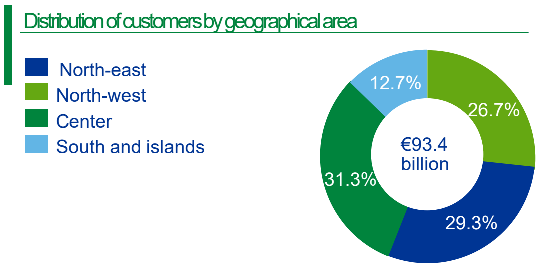



## BREAKDOWN OF CUSTOMER BASE

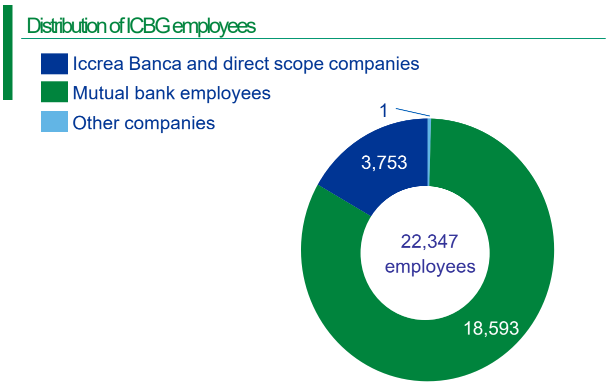


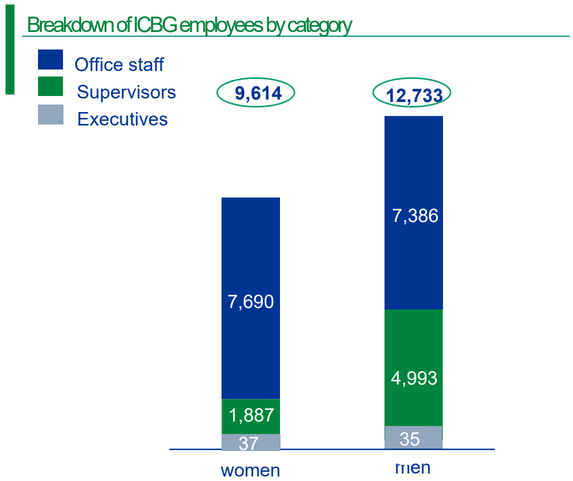




## BREAKDOWN OF GROUP EMPLOYEES



## MAIN INDICATORS AT DECEMBER 31, 2023, JUNE 30, 2023, DECEMBER 31, 2022

| PERFORMANCE INDICATORS [1] (amounts in thousands of euros) | 31/12/2023 | 30/06/2023 | 31/12/2022[2] |
|---|---|---|---|
| **STRUCTURAL RATIOS** | | | |
| Net loans to customers measured at amortized cost /total assets | 52.1% | 53.3% | 52.4% |
| Direct funding from customers/total liabilities | 68.9% | 68.8% | 69.6% |
| Equity (including profit/loss) /total liabilities | 8.0% | 7.5% | 6.8% |
| Loan to deposit ratio | 67.4% | 71.0% | 70.8% |
| Net loans to ordinary customers measured at amortized cost /direct funding from ordinary customers [3] | 74.2% | 76.2% | 74.1% |
| | | | |
| **PROFITABILITY RATIOS** | | | |
| ROE (Net profit)/ net equity including the profit for the period) | 13.4% | 6.3% | 15.1% |
| ROTE [Net profit/net tangible equity (Equity including profit – intangible assets] | 13.5% | 6.4% | 15.3% |
| ROA (Net profit/total assets) | 1.1% | 0.5% | 1.0% |
| Cost/income ratio | 55.4% | 57.7% | 59.1% |
| Personnel expenses/gross income | 34.0% | 34.5% | 35.1% |
| Net interest income/gross income | 73.3% | 72.2% | 71.6% |
| Net fee and commission income /gross income | 24.1% | 24.9% | 27.0% |
| Net interest income/Number of employees at end-period | 183.2 | 87.4 | 166.8 |
| Net fee and commission income/Number of employees at end-period | 60.3 | 30.1 | 62.8 |
| Gross income/Number of employees at end-period | 250.1 | 121.1 | 232.8 |
| | | | |
| **RISK RATIOS** | | | |
| Gross impaired loans/gross loans measured at amortized cost [4] | 3.8% | 4.4% | 4.8% |
| Gross impaired loans to customers/gross loans to customers measured at amortized cost | 3.9% | 4.5% | 4.9%[5] |
| Net impaired loans to customers/net loans to customers measured at amortized cost | 1.1% | 1.4% | 1.7%[6] |
| Net Stage 2 loans to customers measured at amortized cost/net performing loans to customers measured at amortized cost | 9.5% | 7.8% | 8.6% |
| Net bad loans/net loans to customers measured at amortized cost | 0.2% | 0.2% | 0.3% |
| Net UTP loans/net loans to customers measured at amortized cost | 0.7% | 0.9% | 1.1% |
| Net writedowns/(writebacks) for credit risk/net loans to customers measured at amortized cost | 0.4% | 0.2% | 0.5% |
| Writedowns of impaired loans/gross loans to customers measured at amortized cost | 72.2% | 69.3% | 67.8% |
| Writedowns of bad loans/gross bad loans | 87.3% | 84.2% | 82.3% |
| Writedowns of UTP loans/gross UTP loans | 69.6% | 66.6% | 64.4% |
| Texas ratio | 32.9% | 27.3% | 31.5% |
| | | | |
| **CAPITAL RATIOS - *phased-in*** | | | |
| Common Equity Tier 1 ratio | 21.1% | 19.9% | 19.2% |
| Tier 1 ratio | 21.1% | 19.9% | 19.3% |
| Total capital ratio | 22.2% | 21.1% | 20.4% |
| Total own funds | 14,302,353 | 13,231,919 | 13,025,315 |
| *of which: Tier 1 capital after filters and deductions* | *13,602,312* | *12,527,434* | *12,315,793* |
| Risk-weighted assets (RWA) | 64,392,102 | 62,854,154 | 63,890,856 |
| | | | |
| **CAPITAL RATIOS - *fully loaded*** | | | |
| Common Equity Tier 1 ratio | 21.0% | 19.8% | 18.5% |
| Tier 1 ratio | 21.1% | 19.8% | 18.6% |
| Total capital ratio | 22.1% | 21.0% | 19.7% |
| | | | |
| **LEVARAGE RATIO** | | | |
| Phased-in Tier 1/Total assets | 7.7% | 7.2% | 6.9% |
| Fully loaded Tier 1/Total assets | 7.6% | 7.2% | 6.6% |

[1] For an explanation of how the performance indicators are calculated, please see Annex 2 – Alternative Performance Indicators. The indicators were calculated usiing data reclassified by attributing the balances reported as held for sale pursuant to IFRS 5 to the relevant financial statements items.

[2] The indicators at December 31, 2022 were determined using reclassified data, incorporating the balances classified as held for sale pursuant to IFRS 5 into the relevant financial statement items.

[3] Lending to and funding from customers calculated net of exposures vis-à-vis CC&G.

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

[5] Excluding loans involvedin derisking transactions, whch are reportd under assets held for sale at December 31, 2022, the indicator is 4.5%.

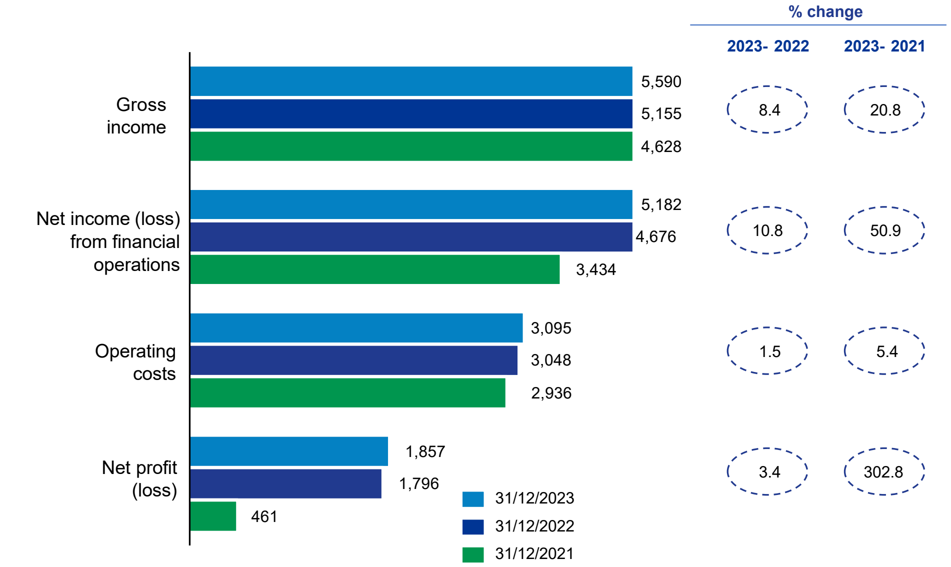
[6] Excluding loans involvedin derisking transactions, whch are reportd under assets held for sale at December 31, 2022, the indicator is 1.5%

| **LIQUIDITY RATIOS** | **31/12/2023** | **30/06/2023** | **31/12/2022[7]** |
|---|---|---|---|
| Liquidity coverage ratio (LCR) | 265.3% | 257.0% | 230.5% |
| Net stable funding ratio (NSFR) | 157.4% | 148.0% | 143.6% |
| Encumbered asset ratio | 23.9% | 24.4% | 25.0% |

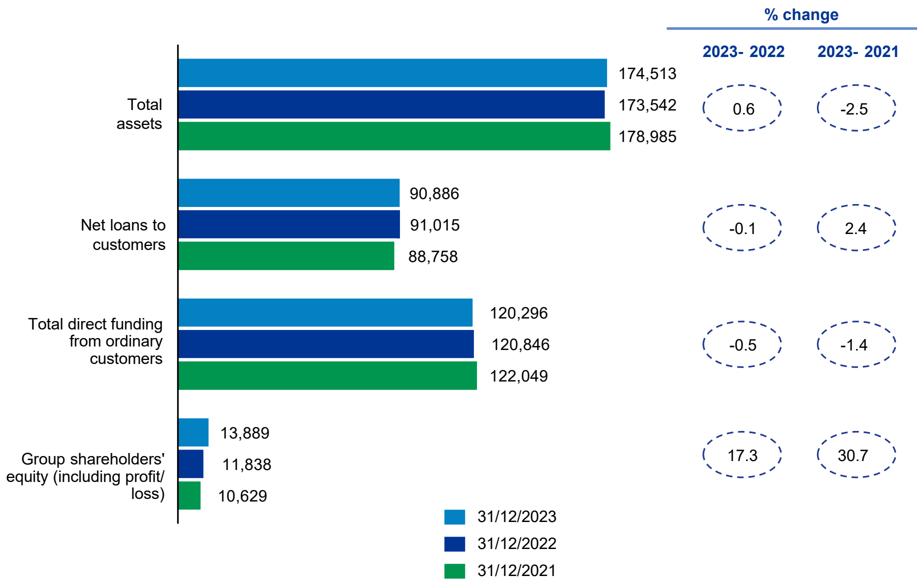
| **INCOME STATEMENT, BALANCE SHEET, OPERATIONAL AND STRUCTURAL DATA** | | | |
|---|---|---|---|
| Profit/(loss) for the period | 1,857,606 | 796,584 | 1,796,109 |
| Profit/(loss) attributable to the Group | 1,856,369 | 795,355 | 1,787,052 |
| Gross income | 5,589,733 | 2,696,840 | 5,154,949 |
| Operating expenses | 3,095,479 | 1,556,582 | 3,048,033 |
| Net loans to customers measured at amortized cost | 90,886,258 | 89,604,052 | 91,015,537 |
| *of which: Net bad loans* | *137,731* | *214,193* | *289,272* |
| *of which: Net UTP loans* | *680,629* | *825,364* | *957,613* |
| Net non-performing loans | 1,012,863 | 1,287,368 | 1,509,197 |
| Total direct funding from ordinary customers | 120,295,833 | 115,753,482 | 120,845,792 |
| Equity pertaining to the Group (including profit/loss) | 13,888,890 | 12,625,082 | 11,838,016 |
| Intangible assets | 174,591 | 157,399 | 167,559 |
| Total consolidated assets | 174,512,644 | 168,240,437 | 173,542,458 |
| Number of branches | 2,419 | 2,437 | 2,434 |
| Number of Group banks | 120 | 121 | 122 |
| Number of affiliated mutual banks | 116 | 117 | 118 |
| Number of employees at end-period | 22,347 | 22,276 | 22,144 |

[7] The indicators at December 31, 2022 were determined using reclassified data, incorporating the balances classified as held for sale pursuant to IFRS 5 into the relevant financial statement items.

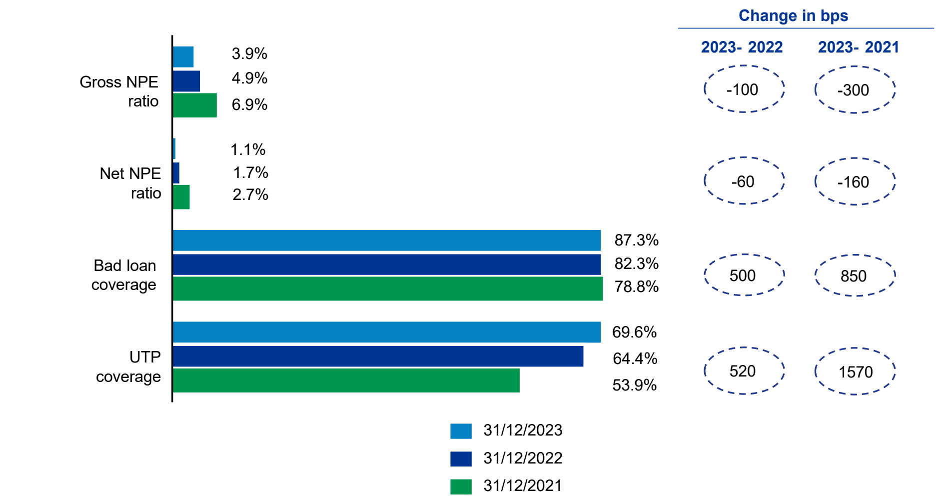
## **Development in key performance figures** (millions of euros)



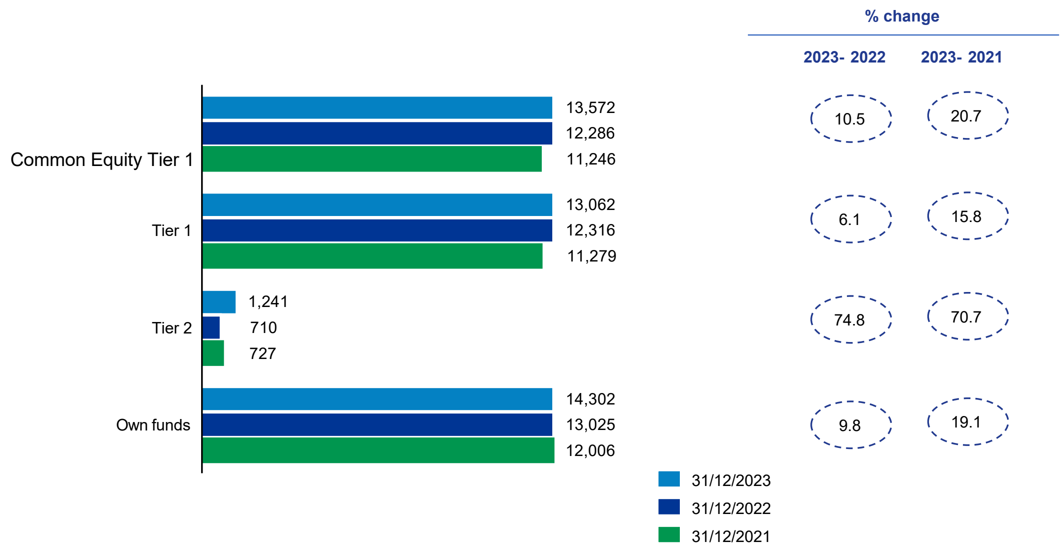

## **Key balance-sheet figures** (millions of euros)



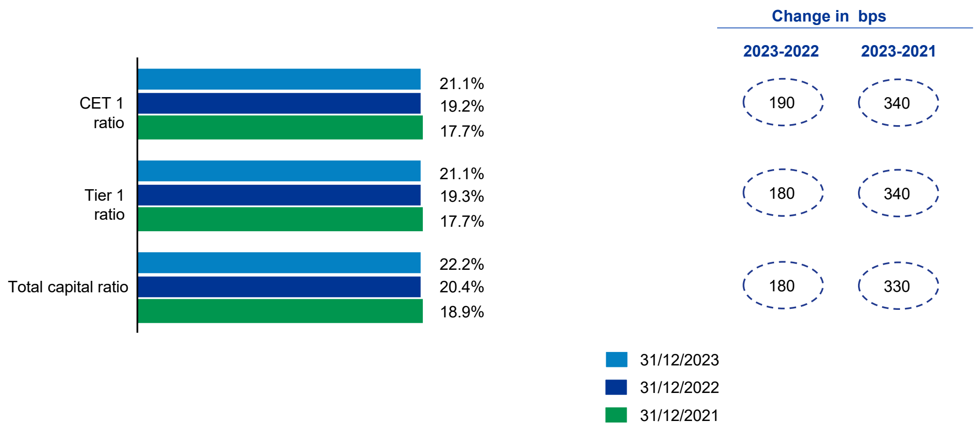

## **Key risk indicators** (%)



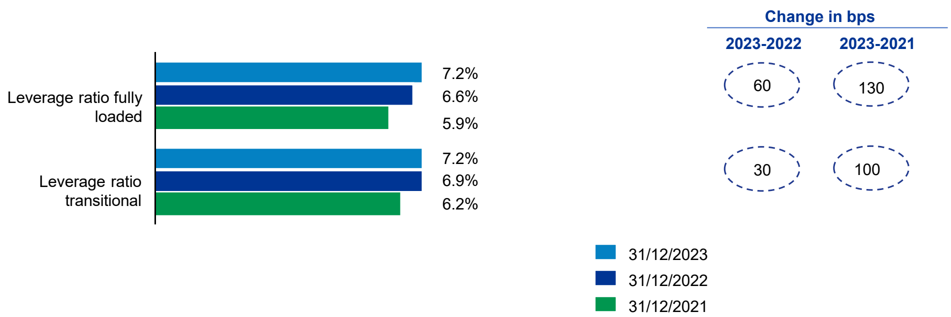
## **Composition of capital** (millions of euros)




## **Capital ratios** (%)




## **Leverage ratios** (%)



## 2. THE ECONOMIC ENVIRONMENT

### The international and Italian macroeconomic environment and developments in banking and the financial markets

#### *The international environment*

In the second half of 2023 the global economy began to normalize after the shocks of recent years, but the Hamas attack on Israel in October has increased the threat of new global trade and inflationary tensions. First the pandemic and then the Russian invasion of Ukraine created bottlenecks on the supply side of markets for merchandise and raw materials as well as in the labor market. These bottlenecks were countered with extremely expansionary monetary and fiscal policies to sustain demand. This was followed by an inflationary surge, which forced the central banks of numerous countries to implement a monetary restriction the likes of which had not been seen since the 1980s. Most of these imbalances subsided in 2023. In particular, in the final months of last year supply conditions in merchandise markets eased, with bottlenecks largely disappearing, accompanied by a decline in raw material prices, although the latter remain higher than their pre-crisis levels. In addition, labor market participation increased both in the United States and Europe, which is fostering an increase in employment with moderate wage growth on average. The good performance of employment has supported household incomes and therefore consumption and economic activity. However, this scenario is unlikely to continue in 2024. Responding to the hostilities between Israel and Hamas, beginning in the second half of last November the Houthi militia who control part of Yemen have attacked merchant ships in the Strait of Bab el-Mandeb, at the mouth of the Red Sea. Approximately 12% of world trade moves through this passage, located on the route that connects the Suez Canal and the Indian Ocean. The growing threat to safety of crews and cargo have progressively forced the main transport companies to divert marine traffic to the longer route circumnavigating the African continent, with inevitable repercussions on the costs of marine transport. Beyond the new inflationary risk posed by the escalation of the war in the Middle East, there are other signs of a slowdown in economic activity and various factors have generated a consensus that growth will be weak. Restrictive monetary policies in the advanced economies, among other factors, have gradually weakened demand, first in the sectors most sensitive to interest rates then spreading more widely.

**GDP**. The strength of the US economy continues to amaze, with GDP growth of 0.8% in the fourth quarter of 2023 compared with the third. However, the progressive absorption of excess labor demand continues. The euro area has essentially stagnated for a year (-0.1% in the third quarter compared with the previous period) and its most important economy, Germany, is grappling with an unexpected reduction in public resources to finance the energy transition following a recent ruling of the Constitutional Court. Difficulties in the Chinese economy add further motive for caution, with the measures implemented by the authorities to limit strains in the real estate market and revive economic activity displaying limited effectiveness and appearing incapable of sustaining the pace of GDP growth registered in 2023 (5.2%). This is also because the challenges have their roots in the real estate crisis, which seems anything but temporary. An additional factor is the uncertainty connected with the major elections scheduled for 2024 - from the American presidential elections to those for the European parliament, the elections in India and those in Taiwan – which will impact the decisions of economic operators.

**Inflation is subsiding …** At the same time, the year saw a progressive and broad reduction in inflation, which, albeit with some uncertainty, returned to levels more acceptable for central banks thanks to the cooling of demand and a sharp fall in the prices of energy products: this has opened the door for interest rate cuts, which the central banks of a number of emerging countries have already initiated. Commodity prices reflect the underlying weaknesses and uncertainty of the global economy, incorporating expectations of supply management challenges. Further production cuts by OPEC+ to support oil prices will be difficult to implement. The countries involved are unlikely to be able to sustain a further reduction in quantities at a time when the abundance of US supply and the global outlook are keeping the market weak. As for the gas situation in Europe, the increase in US supply, which was partly linked to the problems of traversing the Panama Canal, which confined much of the supply to the Atlantic side, together with the relatively mild climate and prudential behavior (gas stocks in Europe are at historic highs), contributed to a decline in prices. Globally, inventories of many non-energy products are also high. These factors, combined with expectations of slack demand, especially from China, make further price increases unlikely.

**…but there is some risk of a resurgence**. The possibility of a sudden and violent upturn in prices is currently linked solely to the risk of a drastic deterioration and expansion of the conflict in the Middle East. The recent obstacles to navigation through the Panama Canal, due to drought, and the Suez Canal, due to terrorist activity, are segmenting and diverting trade towards other routes, restructuring the global supply framework but also increasing transport costs, as shown by the peaks registered on the Baltic Exchange Dry Index since December 2023. This could trigger new inflationary pressures, not only due to these extra costs but also reviving, at least in the short term, the crisis in complex global value chains.

However, despite the increase in geopolitical tensions, a global economy is currently expected to achieve a soft landing, with estimated global GDP growth of 3.1% in 2023, now largely acquired, followed by a slowdown (to around 2.6%) in 2024.

The primary example of a gradual slowdown should be the US economy, despite the strong GDP growth seen in the second half of 2023. Two factors have contributed to supporting household purchasing power. First, in December hourly wages showed a 20.8% increase compared with December 2019, more than offsetting the 19.4% increase in consumer prices over the same period. Second, the job market remained strong, with around 200,000 new jobs created every month. At the same time, households have reduced their propensity to save in order to preserve consumption levels as much as possible. This, together with the depletion of savings accumulated during the pandemic, calls into question the sustainability of this growth model in the coming years. Accordingly, consumption is expected to slow, which will also contribute to lowering inflation, which is expected to be around 2.5% on average in 2024. The performance in the fourth quarter will have a positive carry-over effect of at least four-tenths of a point on growth in 2024, all else being equal, bringing it close to 2%.

The weakness of China's economy continues, mainly reflecting problems in the real estate and construction industries. The improvement in industrial production in December was offset by a sharp contraction in the manufacturing PMI. Expectations for the service sector are improving, but retail sales remain flat and investment is still very weak. This weakness is confirmed by inflation, which remains close to zero. Furthermore, foreign markets seem unable to support demand, while local government debt represents a significant constraint on the scope for further public stimulus measures for the economy. In January, the Chinese authorities touted a new round of aid to the economy, but once again deploying a further injection of liquidity and credit promotion measures. While this suggests that even policy-makers are increasingly concerned about the weakness of the economic system, it is not clear whether it can be interpreted as foreshadowing more decisive intervention. All these factors lead us to forecast growth below 5% in 2024.

Growth prospects in the euro area remain weak despite falling inflation. The slight contraction in GDP in the third quarter of 2023 affected most of the euro-area economies and was caused by a decline in exports and domestic demand. Consumer inflation decreased throughout 2023 and we expect this trend to continue in 2024, despite the increase in December (2.9% from 2.4% in November), which reflected base effects in the energy component. Most importantly, core inflation is also falling (to 3.9% in December, from 4.2% in November), albeit at a slower pace than expected, due to a persistent 1.6 percentage point contribution from services. Unlike the United States, wages in the euro area are losing ground to inflation, despite average contractual wage growth of 4.5% in the first nine months of 2023. This will undermine growth in household consumption in 2024 as well. Ultimately, tight monetary policy and increased uncertainty are holding back investment in both machinery and construction, following a sharp decline in lending in 2023. As we can expect the fiscal stimulus to dissipate, along with lifting of the pause in the application of the Stability and Growth Pact until the end of 2023, we have revised our GDP growth forecast downwards to 0.4% in 2024.

**Monetary policy**. Weak domestic demand is also fueling expectations of a faster decline in inflation in 2024. The Fed and the ECB are not expected to begin reducing monetary policy rates before the summer. There is currently no concern about liquidity shortages in the US or the euro area, which is allowing central banks to keep rates high and reduce their asset holdings steadily.

### *The Italian economy*

Newly released Istat data confirm Prometeia estimates of GDP growth of 0.7% in 2023, equal to the statistical carry-over effect. After increasing by 0.6% in the first quarter compared with the previous period, GDP fell by 0.3% in the second and grew very moderately in both the third (0.1%) and the fourth (0.2%). The estimate for the fourth quarter is preliminary and reflects, on the demand side, a positive contribution from net exports, partially attenuated by a negative contribution from domestic demand before inventories. Among the components of aggregate demand (the details of which are not yet known), we estimate growth in both construction investment and merchandise exports and a decline in imports. The contribution of exports was surprising, as they would more than offset the weakness of German demand with growth in other European countries. This initial analysis seems to confirm the weakness of both household spending and investment in capital goods, in line with that of industrial production.

On average for the year, household spending still increased compared with 2022, despite the sharp increase in prices. This is a positive result, made possible by the return to pre-crisis levels of expenditure on services that had suffered the most during the pandemic, by the good developments in employment and by the exceptional savings accumulated during the pandemic. These factors contained the negative impact of the erosion of purchasing power by the sharp increase in consumer prices (equal to 10% between January 2022 and December 2023).

**Inflation**. Inflation has fallen steeply in recent months, going from over 5% in the summer of 2023 to 0.6% in December. On average for the year, consumer inflation was 5.7%, a pronounced reduction compared with 2022, when it reached a peak of 8.1%. The recent decline in inflation can primarily be attributed to base effects, which will continue to cause fluctuations, even large ones, of alternating sign within the evolution of overall inflation. This underscores the need to monitor core inflation, which fell to 3.1% in December, from 3.6% in November, but is still rising month-on-month (0.3%).

**Employment**. The labor market remained strong in the final months of 2023 as well, helping to reduce the negative effects of inflation on household purchasing power. Compared with November 2022, the persons in employment grew by 520 thousand, of whom about 500 thousand were payroll employees. The year therefore closes a bounteous cycle of employment, since compared with previous years the growth in employment was truly remarkable. However, it was driven by exceptional events, associated as it was with similar exceptional growth in economic activity driven by the construction sector. At the same time, wages continued to rise: in the first nine months of 2023, average hourly wages increased by 2.6% compared with the same period of 2022, with an acceleration during the year (3% in September compared with September 2022). In light of the available information and adopting the necessary caution, we are seeing continuing wage growth without any identifiable pick-up in inflation.

**The Italian economy in 2024**. Even if geopolitical events, with their repercussions on the stability of supply chains and the prices of transport and commodities, increase the risk that the disinflation process may encounter hurdles, there is no doubt that quarter after quarter the likelihood of the Italian economy experiencing a true recession is receding. The statistical carry-over effect (i.e. the growth that would be achieved if GDP remained otherwise unchanged during the year) on 2024 is positive (+0.1%) and the indicators that have become available in recent weeks are showing signs of a revival of growth. It is an encouraging result, enabled by the decline in inflation, the expansionary impulse of investments financed by the NRRP and the still slightly expansionary stance of fiscal policy.

## Structural developments in the European banking industry

Continuing a long-term trend, in October 2023 the number of credit institutions in the euro area had decreased by 97 compared with the end of the previous year (-2.3%), reaching a total of 3,942. The largest percentage reductions were recorded in Finland (-5%), Austria (-4.4%), Germany (-3.4%) and Italy (-3.8%).

Number of credit institutions – Selected euro-area countries

| | Germany | Spain | France | Italy | Netherlands | Austria | Finland | Euro area |
|---|---|---|---|---|---|---|---|---|
| Dec. 2022 | 1,389 | 192 | 399 | 440 | 85 | 444 | 196 | 4,039 |
| Oct. 2023 | 1,340 | 189 | 388 | 432 | 84 | 424 | 186 | 3,942 |

Figures on branches and employment also confirm the continuing process of rationalization of the physical structure of the European banking industry. Based on data from the EU structural financial indicators - ECB Data Portal (europa.eu),[8] during 2022, the number of bank branches decreased on average by 4.6% in the euro area, going from 114,148 to 108,772.

Number of branches – Selected euro-area countries

| | Germany | Spain | France | Italy | Netherlands | Austria | Finland | Euro area |
|---|---|---|---|---|---|---|---|---|
| Dec. 2021 | 21,697 | 19,242 | 35,691 | 21,689 | 726 | 3,422 | 810 | 114,148 |
| Dec. 2022 | 20,432 | 17,851 | 34,298 | 20,985 | 729 | 3,292 | 772 | 108,772 |
| % change | -5.70% | -7.10% | -3.80% | -3.10% | 0.30% | -3.80% | -4.70% | -4.60% |

The contraction mainly affected Spain (-7.1%) and Germany (-5.7%). The data appear to run counter to the trend for the Netherlands (+0.3%), but bear in mind that this country had more than 1,200 branches before the pandemic (2019). Looking at the period from 2018 to 2022, the number of bank branches in the euro area went from 135,057 to 108,772, a constant decline of around 20 percentage points, with the closure of over 5,000 branches per year on average.

After the reduction experienced in recent years (-2% between 2019 and 2020, and -1.9% between 2020 and 2021), the number of credit institution employees in the euro area decreased only marginally in the latest survey (-0.6% from 2021 to 2022), reaching 1,753,210 in December 2022. Above-average declines were recorded in Spain (-3.4 %), and in Italy (-1.5%), while the figures show modest growth in France (+0.5 %), and a more robust expansion in the Netherlands (+7%).

## The performance of the financial markets in 2023

At the beginning of 2023, expectations of a smaller decline in economic activity led to a period of euphoria on equity markets. However, in March, with the SVB and Credit Suisse crisis, prices collapsed at the global level, followed by a partial recovery in subsequent months when the risk of contagion to the global banking sector receded in response to the interventions of the US authorities in support of the American banks and the reassurances of the European authorities on the soundness of the system banking and on the differences in EU regulations compared with Swiss legislation (which had allowed the cancellation of Credit Suisse's AT1 bonds). Developments were mixed in the following months due to a number of factors, including the risk of additional tightening by central banks, geopolitical tensions and the crisis in the Chinese real estate sector, with euro-area equity prices further penalized by the stagnation of economic activity, with Germany among the weakest economies. US performance was buoyed by the rise in technology sector stocks and the strong performance of the economy, despite the pressures linked to public debt – associated with the debate over raising the debt ceiling, the downgrade by Fitch (which removed its triple A rating) and fears of a government shutdown. Despite the rise in geopolitical tensions with the attack by Hamas at the beginning of October, equity prices rose sharply in the latter part of the year, driven by the possibility that the central banks would respond to the significant reduction in inflation by bringing forward rate cuts to the early months of 2024. As a result, equity indices closed 2023 with very positive performances: above 20% in the United States, just under 30% in Italy and about 15% in the euro area.

During 2023, central banks confirmed their intention to maintain their focus on inflation. Despite the expectations for the ECB to maintain its restrictive stance, the 10-year Bund rose marginally until the summer, held back by the signs of weakness exhibited by the German economy. Its rise then intensified after the summer, due to fears that the central banks could remain restrictive for longer to counteract renewed fears about inflation. After approaching 3%, in mid-October the 10-year Bund, in line with developments in international rates, reversed the course that had characterized

[8] Updated to December 2023; reference to December 2022 measurement date.

the previous months. The inversion, which was also seen in other international rates, was influenced by the downward revision of inflation expectations, especially after better-than-expected data on current inflation, which prompted the markets to definitively rule out the possibility of further policy rate increases and, indeed, bring forward their expectations for the start of the expansionary phase to the early months of 2024. The Bund ultimately closed the year at around 2%. Treasuries, which had previously risen more due to debt pressures, reaching almost 5%, stood at just under 4% at the end of 2023.

Unlike the past, the BTP-Bund spread was not affected by the tensions in the banking sector in March, remaining at around 160 bps even in the following months, thanks to the support of the ECB (between repurchases of maturing securities under the PEPP and the possibility of using the TPI) and to a more stable political environment. The spread then began to widen in the summer, reaching 200 bp, due to expectations of weaker economic growth and greater pressure on the Italian public finances. The spread began to narrow again from mid-October in the wake of an improvement in the rating agencies views of the public debt - Moody's improved its outlook from negative to stable - and expectations of a more expansionary ECB. The BTP-Bund spread closed 2023 below 170 bps for the 10-year bond.

### Developments in the Italian credit system

During 2023, credit developments were influenced not only by the rapid rise in interest rates, which discouraged demand from households and businesses, but also by more rigid supply conditions, which reflected a lower risk tolerance on the part of banks due to the uncertainty of the economic situation. Accordingly, after the initial signs of a slowdown emerged in the first quarter, the pace of bank lending progressively declined to -3% in December 2023 (excluding loans to central counterparties and net of the effect of settlements and securitizations). Lending to firms, which was already struggling to grow at the end of 2022, registered the greatest contraction (-3.7% in December 2023, from -0.4% at the end of 2022, net of the effect of settlements and securitizations). As supply conditions changed, companies responded by increasingly financing their capital needs through the use of liquidity accumulated in recent years and by resorting to alternative channels to banking. Lending to households, after showing greater resilience in the first six months of 2023, began to fall from the third quarter (-0.6% in September compared with +1% in June 2023), closing 2023 with an even larger decline (-1.4% in December 2023). Throughout 2023, the weakness of the real estate market negatively impacted the growth in home loans to households facing greater difficulties in obtaining a mortgage. Conversely, consumer credit continued to grow, in line with the increase in spending on durable goods, reflecting in part government incentives for the purchase of eco-sustainable furniture and household appliances (the furniture and appliance incentive schemes).

Despite a context of economic weakness, with the decline in inflation and a monetary policy returning to a more accommodative stance, the improvement in purchasing power in 2024 will enable lending to households to return to growth, while lending to firms will stabilize. Only in 2025-2026, however, is lending to families and firms expected to consolidate (overall +1% average per year) thanks to the impulse of investment activated by the NRRP and the recovery in household disposable income. The further draw down of liquidity by families and firms will remain a brake on demand for bank credit in the future and could also reduce existing debtor positions through partial repayments to save on loan instalments.

All credit risk indicators remained at historically very low values in the first nine months of 2023. This largely reflects the measures introduced by the government and other institutions to counteract the impact of the pandemic first and the effects deriving of the war in Ukraine subsequently, which made it possible to lengthen the natural lag with which a deterioration in economic conditions manifests itself in asset quality. But it also reflects the greater resilience of households and businesses compared with previous crises. In the third quarter of 2023, the rate of credit deterioration remained historically low in aggregate (1% on an annualized basis in the first quarter of 2023, slightly above that registered in 2022), but displayed the initial signs of an increase (specifically for households compared with the previous quarter), which we expect to worsen in the coming quarters. The volume of impaired loans was also reduced by the continuation of market sales, decreasing the stock of bad loans to just under €30 billion at the end of 2023 (-1.3% on the end of 2022), equal to 1.7% of the stock of outstanding loans.[9] For the three-year forecast period, despite the worsening of economic conditions and the effects of the rapid rise in interest rates, risk indicators are not expected to increase with the same intensity as in the past: the greater attention paid by banks to lending criteria and more selective demand for credit have created a cohort of higher quality borrowers, while the large pool of liquidity accumulated by families and businesses can also be used to address initial difficulties. The increase in risk is expected to peak in 2024 and then gradually decline from 2025.

On the funding side, the process of recomposition of direct funding from the more liquid components to forms with longer maturities continued during 2023. The increase in interest rates and high inflation have made it increasingly

[9] The indicators include CDP loans but do not include interbank lending and lending to central banks.

less attractive for households and firms to accumulate liquidity for precautionary purposes. Instead, they have used liquidity drawn from current accounts not only for investment, but also to finance consumption and operations. This partial reconversion caused direct funding to decrease by about 1% at the end of 2023 (deposits, net of Cassa Depositi e Prestiti funding, and bonds). The sharp increase in fixed-term deposits (+85%, net of the component connected with securitizations), which earn higher interest, only partially offset the significant decrease in the current account component (-8%). In the next three years, direct funding will continue to decline, although at a slower pace than in 2023 (-0.7% per year on average in 2024-2026), due to further outflows from current accounts (-5.6% on average in 2024-2026), which are still disadvantaged by the rate differential compared with more restricted forms of funding. 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. This could also exert further upward pressure on the cost of funding, in addition to that already generated by the increase in market rates and greater competition from government securities. The banking product offer will therefore pay attention to bringing the funding structure closer to a more "traditional" model, thus reaching new customers with products offering attractive remuneration and maturities.

In the first nine months of 2023, European banks showed a marked improvement in profitability and a further consolidation of capital ratios. The significant Italian banks earned profits of over €16.5 billion - double the figure from 2022 - with a ROE of 13.6%. With the repeated increases in monetary policy rates, the results were again driven by net interest income (+54%), although with a slowing quarterly trend (+5% in the third quarter compared with 12% in the previous quarter). Net fee and commission income continued to decline – including on a quarterly basis - due to the decrease in revenues from asset management, insurance products and securities placement and, in some cases, fees and commissions from traditional banking activities, which were affected by the reduction in expenses charged to current accounts. Net impairment losses on loans decreased sharply over the year (-50%), although ordinary impairment losses - i.e. excluding of the extraordinary effects of 2022 in respect of exposures in Russia and Ukraine - increased slightly due to the effect of overlays, which were recognized to absorb the potential impact of a deterioration in the macroeconomic environment and address new risk factors. The annualized cost of risk for significant groups thus rose to 33 basis points (43bps in the first nine month of 2022). The fully-loaded CET1 ratio reached 15.3%, thanks to the profits recorded in the period and the reduction in RWA linked to capital management operations, including synthetic securitizations of performing loans.

After the strong performance of traditional profitability in 2023 thanks to the widening of spreads, from 2024 the sector is expected to experience a narrowing of margins, mainly reflecting developments in spreads, which will narrow again. The recovery of fee and commissions income will not be sufficient to counteract the fall in net interest income and higher costs, which will cause the industry ROE to turn downward to around 9% in 2024 and 5% in 2026.

### EU measures

During 2023, the European Commission continued to strengthen and update the legislative framework governing the temporary deviation from the State aid regulations adopted in 2022 after the outbreak of the crisis triggered with Russia's aggression against Ukraine. That crisis that has generated significant economic uncertainties, disrupted trade flows and supply chains and caused exceptionally high and unexpected price increases that have spread from energy to many other raw materials and primary goods. This scenario has also been impacted by the repercussions of the sanctions and countermeasures adopted in response to the invasion, creating a serious disturbance in the economy which has affected a wide range of economic sectors in all Member States (the legal prerequisite for the amendment of the State aid framework), in particular the sectors affected by the COVID-19 pandemic, such as transport and tourism, manufacturing, agriculture and food processing. The impact has also been felt in global financial markets, particularly with regard to liquidity and market volatility in commodity trading.

In this context, 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. The new framework replaced the previous temporary crisis framework adopted in March 2022, and amended in October 2022, to include two new sections to support interventions connected with the green transition in line with the RePowerEU plan, with the time limit for aid set at the end 2025.

On November 21, 2023, the "Temporary Crisis and Transition Framework" was modified, extending some areas of intervention to 2024. However, liquidity support in the form of guarantees and subsidized loans, permitted until December 31, 2023, was not extended.

Following the various amendments, the current framework provides for:

- aid of limited amounts, permitted until June 30, 2024: this includes direct subsidies, tax and payment advantages, which are admissible provided that the total amount per firm does not exceed €280 thousand for the agricultural sector (from €250 thousand); €335 thousand for the fishery and aquaculture sector (previously €300 thousand); and €2.25 million for all other sectors (previously €2 million);

- aid to tackle high energy prices, permitted until June 30, 2024: this includes support that covers part of the additional energy costs provided that energy prices significantly exceed pre-crisis levels;
- 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;
- 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;
- 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;
- 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 continued with the Community planning and regulatory effort in the energy sector that began in May 2022 with the approval of the RePowerEU[10] plan focused on energy saving, clean energy production and diversification of energy supply sources. In 2023, two further steps forward were taken along this path:

- a provisional agreement between the European Parliament and the Council to strengthen the Renewable Energy Directive. The deal raises the EU's binding renewable energy target for 2030 to a minimum of 42.5%, up from the current target of 32%, almost doubling the current share of renewable energy in the European Union. Negotiators also agreed that the EU will seek to reach 45% renewable energy by 2030 (March 2023);
- the definition of the AggregateEU mechanism for the joint purchase of gas at European level under the EU Energy Platform, which 107 companies have joined so far. The first purchase tender was launched and attracted requests from 77 European companies for a total volume of approximately 11.6 billion cubic meters of gas (April and May 2023).

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

Italy's fiscal policy in 2023 continued to be characterized by an expansionary slant, after the huge effort implemented since 2020 to counter the effects first of the Covid-19 crisis and then the energy crisis. The slowdown in growth and the prospect for a continuation of the adverse effects of the energy crisis on economic activity prompted the Government to slow the planned path of deficit reduction in order to allocate additional resources to strengthen support measures. The Budget Act for 2023 appropriated approximately €20.5 billion, financed with borrowing, primarily for measures to address high energy costs for households and firms, continuing earlier measures. Other legislative interventions were then added, bringing overall energy cost control measures to €26.1 billion in 2023 (after the €53.8 billion allocated in 2022). The reduced VAT rate of 5% for gas was extended to the whole of 2023, as was the elimination of system charges and the expansion of social allowances.

In addition to these measures, the main interventions were directed at supporting household purchasing power, extending and strengthening the partial exemption from social security contributions paid by employees with incomes of up to €35 thousand and measures to increase below-minimum pensions, the single universal allowance for children and support for the purchase of primary residences. Other expansionary interventions were targeted at firms, with the extension to 2023 of certain investment incentives and the financing of the main spending segments of the public administration (public employment, healthcare and social security). Finally, the 2023 budget provided for tax relief

[10] Please see the previous annual report for more information.

such as the extension of the number of eligible beneficiaries of the flat-rate regime, the introduction of an incremental flat tax for self-employed workers and small businesses and the extension of relief measures for corporate welfare (with the increase in threshold for fringe benefits to €3 thousand per for employees with dependent children and spending vouchers to €15 thousand).

In 2024, most of the emergency measures addressing energy costs will expire, except for the expansion of allowances for the most vulnerable families. However, the budget measures approved at the end of the year fund additional support measures, appropriating around €25 billion for 2024. The main target remains low-income households, which are mainly affected by the renewal for 2024 of the partial exemption from social contributions paid by employees, which was already in place in 2023 and has been increased for women with children, as well as other measures with a much more modest financial impact, such as relief for employee productivity bonuses and fringe benefits, which have been continued for 2024. Other household support measures include the refinancing of certain social expenditure: the extension to the first quarter of 2024 of the expanded social allowance for electricity, the refinancing of the purchase fund (the “Dedicated to you” solidarity card), funding to support mortgage loans for primary residences and early retirement measures for some categories.

Measures to support firms include €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.

### Monetary policy measures adopted by the ECB in 2023

During the year, and in the first half in particular, the decisions of the Governing Council of the ECB were characterized by frequent interventions to raise official rates.

At the meeting of February 2, 2023, the Governing Council decided to raise the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank by 50 basis points, bringing them to 3.0%, 3.25% and 2.50% respectively. The same meeting also clarified the methods for reducing the stocks of securities held by the Eurosystem within the framework of the Asset Purchase Programme (APP): as announced in December 2022, the pace of this reduction will be equal to an average of €15 billion per month from the beginning of March to the end of June 2023 and will then be determined over time. Partial reinvestments will be conducted on the basis of criteria of proportionality, neutrality and simplicity. In particular, within the Eurosystem’s purchases of corporate bond, the remaining reinvestments will be tilted more strongly towards issuers with a better climate performance. Reinvestments under the PEPP (Pandemic Emergency Purchase Programme) will continue until at least the end of 2024.

At its meeting of March 16, the Governing Council decided to raise the three key interest rates by 50 basis points: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank were raised to 3.50%, 3.75% and 3.0% respectively.

At its meeting of May 4, the Governing Council decided to raise the three key interest rates by 25 basis points, in line with market expectations: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank were raised to 3.75%, 4.0% and 3.25% respectively.

At its meeting of June 15, the Governing Council decided to raise the three key interest rates by an additional 25 basis points, in line with market expectations: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the Central Bank were raised to 4.0%, 4.25% and 3.50% respectively. The Governing Council still expects to discontinue the reinvestments under the APP as of July 2023.

At its meeting of July 27, the Governing Council decided to raise the three key interest rates by 25 basis points, as announced in June: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank were raised to 4.25%, 4.50% and 3.75% respectively. At the same meeting, the Governing Council also decided to set the remuneration of banks’ minimum reserves with the Eurosystem at 0%, with the aim of preserving the effectiveness of monetary policy and improving the efficiency of the transmission mechanism.

At its meeting of September 14, the Governing Council decided to raise the three key interest rates by 25 basis points. Accordingly, the interest rates on main refinancing operations, the marginal lending facility and the deposit facility rose to 4.5%, 4.75% and 4.0%, respectively, with effect from September 20, 2023. The European Central Bank specified that the increase in rates reflects the Governing Council’s assessment of the inflation outlook in the light of incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The September ECB staff macroeconomic projections for the euro area see average inflation of 5.6% in 2023, 3.2% in 2024 and 2.1% in 2025, reflecting an upward revision for 2023 and 2024 and a downward revision for 2025.

At its meeting of October 26, after ten consecutive increases, the Governing Council decided to keep the three key interest rates unchanged. The interest rates on main refinancing operations, the marginal lending facility and the deposit facility at the European Central Bank therefore remained at 4.5%, 4.75% and 4%. While not ruling out further increases, the ECB stated that rates are at levels which, if maintained for a sufficiently long duration, will make a substantial contribution to the return of inflation to its target level.

At its meeting of December 14, the Governing Council again kept interest rates on main refinancing operations, the marginal lending facility and the deposit facility unchanged and revised downwards its projections for the average inflation rate in 2023 and 2024, equal to 5.4% and 2.7%, respectively, while it confirmed the inflation forecast of 2.1% for 2025. Inflation is then expected to decline to 1.9% in 2026. At the same meeting, the Governing Council decided to accelerate the normalization of the Eurosystem balance sheet through a gradual reduction in reinvestment under the PEPP: principal payments on maturing securities will continue to be fully reinvested in the first half of 2024, while in the second half of the year the PEPP portfolio will be reduced by an average of €7.5 billion per month, with reinvestments to be discontinued at the end of 2024.

## 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.

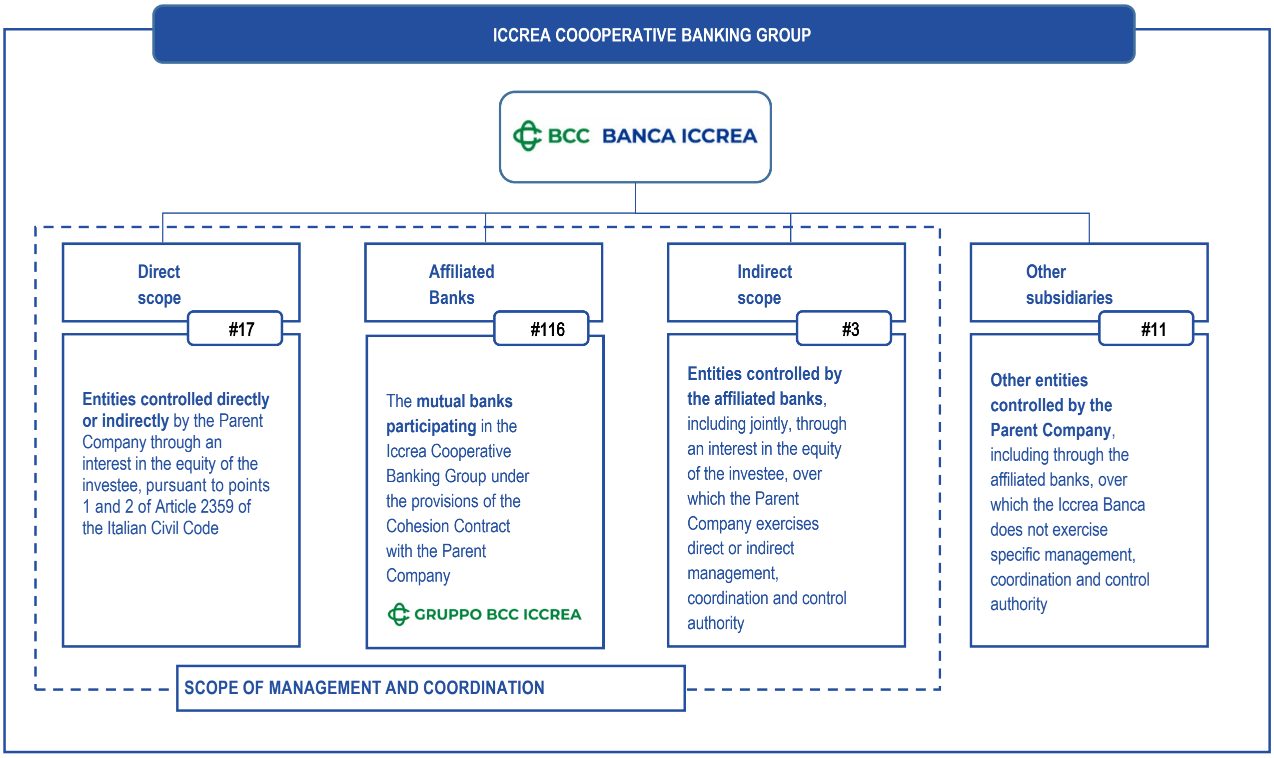
### Structure of the Banking Group

As summarized in the following chart, at December 31, 2023, 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 powers 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 power.




## 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.

## Group personnel

Total Group personnel at December 31, 2023, numbered 22,347 (21,899.4 FTE[11]), broken down as follows:

| Scope | Number of employees | FTE |
|---|---|---|
| Mutual bank employees | 18,593 | 18,168.9 |
| Iccrea Banca and direct scope companies | 3,753 | 3,719.5 |
| Other companies | 1 | 1.0 |
| **Total** | **22,347** | **21,889.4** |

Developments in hiring and terminations within the Group in 2023 produced a net increase of 203 employees at December 31, 2023 (1,224 new hires compared with 1,021 terminations, including 13 staff of Coopersystem, which has exited the scope of consolidation). Of these, 106 involved intragroup transfers.

The composition of the workforce by category and gender at December 31, 2023, is reported in the following table:

| Position | Men | Women | Total |
|---|---|---|---|
| Senior management | 354 | 37 | 391 |
| Middle management | 4,993 | 1,887 | 6,880 |
| Office staff | 7,386 | 7,690 | 15,076 |
| **Total** | **12,733** | **9,614** | **22,347** |
| of which: | | | |
| On open-ended contracts | *12,470* | *9,355* | *21,825* |
| On fixed-term contracts | *263* | *259* | *522* |

The Parent Company's workforce showed a net increase of 13 in 2023: 128 new hires, of which 23 intragroup, and 115 departures, of which 19 intragroup.

The first half of 2023 saw the consolidation of the launch of BCC Sinergia, as it was renamed following the merger of BCC Solutions (with the transfer of 526 staff). The company, which at the end of December 2023 had 654 employees, offers the Group's banks a vast catalog of services in the areas of payment systems, lending, foreign operations, corporate treasury, finance, e-money, accounting and reporting.

The first half of 2023 also saw the establishment of BCC POS was established, the ICBG company offering payment solutions to mutual bank customers. The new company has a staff of 32, 28 of whom were acquired from Coopersystem, which left the Group's scope of consolidation.

As discussed in greater detail later, as part of the rationalization of our network around the country and measures to enhance operating efficiency, 2023 saw the continued implementation of the concentration plan for affiliated banks, with the following mergers:

- Banca di Bari e Taranto Credito Cooperativo - S.C. (from the merger of BCC di Bari Scrl and Banca di Taranto e Massafra - Banca Credito Cooperativo), with the involvement of 76 employees;
- BCC Magna Grecia – Società Cooperativa (from the merger of BCC di Buccino e dei Comuni Cilentani S.C. and Banca 2021 - Cr. Coop. del Cilento, Vallo di Diano e Lucania), with the involvement of 292 employees.

## 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

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

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 December 31, 2023 the Group had 116 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 2,419 branches[13]. 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%.

In 2023, the affiliated bank branch network saw the closure of 55 branches, offset by the opening of new branches in locations with greater potential for business development. The result of these changes was a net decrease of 15 branches compared with December 2022.

[12] During 2023, the number of affiliated mutual banks declined from 118 to 116 as a result of the merger involving BCC di Bari and BCC Taranto e Massafra, as well as that in the second half between Banca 2021 and BCC di Buccino e dei Comuni Cilentani, which led to the creation of BCC Magna Grecia

[13] Attributable to the 116 affiliated mutual banks, Banca Sviluppo and Group retail banks.

### Number of branches per region and associated market share

The Group has at least one branch in 1,675 of the 4,613 Italian municipalities served by banks (36.3% of the total). In 355 of these municipalities (21.2% 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 (390), while Marche boasts the largest share of municipalities with a banking presence with a Group branch (63.6%).

| Region | Municipalities with banking services | with ICBG branch | (%) | of which ICBG is only bank | (%) |
|---|---|---|---|---|---|
| Abruzzo | 119 | 55 | 46.2% | 12 | 21.8% |
| Basilicata | 69 | 29 | 42.0% | 11 | 37.9% |
| Calabria | 108 | 50 | 46.3% | 24 | 48.0% |
| Campania | 255 | 81 | 31.8% | 34 | 42.0% |
| Emilia-Romagna | 304 | 120 | 39.5% | 8 | 6.7% |
| Friuli-Venezia Giulia | 148 | 61 | 41.2% | 11 | 18.0% |
| Lazio | 189 | 95 | 50.3% | 17 | 17.9% |
| Liguria | 105 | 11 | 10.5% | 1 | 9.1% |
| Lombardy | 972 | 390 | 40.1% | 104 | 26.7% |
| Marche | 154 | 98 | 63.6% | 21 | 21.4% |
| Molise | 24 | 10 | 41.7% | 5 | 50.0% |
| Piedmont | 437 | 64 | 14.6% | 11 | 17.2% |
| Puglia | 195 | 67 | 34.4% | 4 | 6.0% |
| Sardinia | 255 | 11 | 4.3% | 0 | 0.0% |
| Sicily | 244 | 98 | 40.2% | 33 | 33.7% |
| Tuscany | 247 | 143 | 57.9% | 5 | 3.5% |
| Trentino-Alto Adige/Südtirol | 244 | 2 | 0.8% | 0 | 0.0% |
| Umbria | 63 | 23 | 36.5% | 3 | 13.0% |
| Valle d'Aosta/Vallée d'Aoste | 24 | 0 | 0.0% | 0 | 0.0% |
| Veneto | 457 | 267 | 58.4% | 51 | 19.1% |
| **Total** | **4,613** | **1,675** | **36.3%** | **355** | **21.2%** |

*Source: based on Bank of Italy data as at December 31, 2023*

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 34.5% 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 | 355 | 318 | 244 | 180 | 578 | **1,675** |
| % of the total | 21.2% | 19.0% | 14.6% | 10.7% | 34.5% | **100.0%** |

*Source: based on Bank of Italy data as at December 31, 2023*

## 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 6.2%, with a value of about €78 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 Tuscany, Abruzzo, Basilicata, Veneto and Friuli-Venezia Giulia 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 | 10.70% | 9.51% | 11.86% | 9.29% |
| Basilicata | 10.47% | 6.35% | 14.63% | 6.90% |
| Calabria | 6.09% | 4.14% | 9.38% | 4.76% |
| Campania | 3.14% | 1.84% | 4.70% | 2.98% |
| Emilia Romagna | 7.28% | 9.03% | 6.07% | 7.05% |
| Friuli Venezia Giulia | 10.46% | 12.39% | 8.79% | 9.81% |
| Lazio | 6.74% | 7.76% | 5.70% | 5.46% |
| Liguria | 1.61% | 1.32% | 1.97% | 1.37% |
| Lombardy | 5.16% | 5.31% | 5.07% | 6.45% |
| Marche | 14.93% | 14.49% | 15.32% | 15.17% |
| Molise | 5.96% | 4.27% | 8.00% | 2.80% |
| Piedmont | 4.35% | 3.92% | 4.76% | 4.15% |
| Puglia | 4.93% | 3.62% | 6.77% | 4.48% |
| Sardinia | 2.40% | 0.88% | 4.77% | 1.93% |
| Sicily | 3.52% | 2.51% | 5.25% | 4.70% |
| Tuscany | 9.69% | 9.37% | 10.01% | 11.04% |
| Trentino-Alto Adige | 0.46% | 0.14% | 0.63% | 0.32% |
| Umbria | 4.54% | 3.88% | 5.09% | 5.53% |
| Valle d'Aosta/Vallée d'Aoste | 0.37% | 0.35% | 0.39% | 0.19% |
| Veneto | 9.81% | 10.98% | 8.92% | 10.60% |
| **ITALY** | **6.22%** | **6.23%** | **6.20%** | **6.40%** |

*Source: based on supervisory and Bank of Italy data as at December 31, 2023. 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 €104 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.

### Distribution of employees

In line with the regional distribution of branches, the branch network by number of employees shows peak numbers in the regions of Lombardy, Veneto, Tuscany, Emilia–Romagna and Lazio. The average number of employees per branch nationwide was 4.7. The average number of employees per branch is the outcome of a process begun some time ago by the mutual banks, who have sought to optimize their presence in the territories in which mutual banking performs a social service, reducing opening hours and days where appropriate while at the same time balancing the need for physical proximity with that for financial sustainability. Analyzing the data by region, Lazio and Liguria have the largest number of employees per branch (5.2), followed by Lombardy and Tuscany (5.0).

| Region | No. branch employees | Employees/Branch |
|---|---|---|
| Abruzzo | 318 | 4.2 |
| Basilicata | 108 | 3.6 |
| Calabria | 222 | 4.1 |
| Campania | 372 | 3.8 |
| Emilia-Romagna | 1,126 | 4.9 |
| Friuli-Venezia Giulia | 380 | 4.3 |
| Lazio | 971 | 5.2 |
| Liguria | 58 | 5.2 |
| Lombardy | 2,479 | 5.0 |
| Marche | 776 | 4.8 |
| Molise | 27 | 2.5 |
| Piedmont | 407 | 4.7 |
| Puglia | 354 | 4.3 |
| Sardinia | 39 | 3.2 |
| Sicily | 358 | 3.3 |
| Tuscany | 1,264 | 5.0 |
| Trentino-Alto Adige/Südtirol | 2 | 1.0 |
| Umbria | 141 | 3.7 |
| Veneto | 1,848 | 4.8 |
| **Total Italy** | **11,246** | **4.7** |

Source: based on supervisory and Bank of Italy data as at December 31, 2023.

### Ownership structure of the Group's retail banks

In terms of ownership structure, the number of shareholders at December 2023 totaled about 884.5 thousand, an increase of more 23 thousand on December 31, 2022 (+1.9%). The northern and central areas account for 43% and 45%, respectively, covering together 88% of the total shareholder base. The Center-west area made the largest contribution to the growth in the number of shareholders, with a gain of 8,600 in 2022.

| Geographical area | No. Shareholders 31/12/23 | (%) | No. Shareholders 31/12/22 | (%) | Delta 31/12/23 – 31/12/22 |
|---|---|---|---|---|---|
| North-west | 252,632 | 28.6% | 247,154 | 28.7% | 5,478 |
| North-east | 126,143 | 14.3% | 123,143 | 14.3% | 3,000 |
| Center-west | 220,631 | 24.9% | 212,031 | 24.6% | 8,600 |
| Center-east | 181,617 | 20.5% | 176,159 | 20.5% | 5,458 |
| South-west | 75,668 | 8.6% | 75,324 | 8.7% | 344 |
| South-east | 27,813 | 3.1% | 27,339 | 3.2% | 474 |
| **Total** | **884,504** | **100.0%** | **861,150** | **100.0%** | **23,354** |

## 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 December 31, 2023. To enable a more immediate understanding of the Group's balance sheet and income statement, the following tables are reclassified[14] and presented in more summary form than those provided for in Circular no. 262/05 of the Bank of Italy.

### BALANCE SHEET

#### Consolidated assets

| €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Cash and cash equivalents | 4,956,422 | 1,189,908 |
| Financial assets measured at fair value through profit or loss | 1,494,234 | 1,675,821 |
| Financial assets measured at fair value through other comprehensive income | 7,693,412 | 8,308,596 |
| Financial assets measured at amortized cost | 145,480,602 | 150,601,923 |
| a) due from banks | 2,656,221 | 1,557,002 |
| b) loans to customers | 90,886,258 | 91,015,537 |
| c) securities | 51,938,123 | 58,029,384 |
| Hedging derivatives and value adjustments of macro-hedged financial assets | 313,430 | 1,016,595 |
| Equity investments | 239,807 | 220,460 |
| Property, plant and equipment | 2,441,827 | 2,556,424 |
| Intangible assets | 174,591 | 167,559 |
| Tax assets | 1,346,472 | 1,748,373 |
| Non-current assets and disposal groups held for sale | 4,593,316 | 12,307 |
| Other assets | 5,778,531 | 6,044,490 |
| **Total assets** | **174,512,644** | **173,542,458** |

The consolidated assets of the Iccrea Cooperative Banking Group totaled €174.5 billion, up €1 billion on December 31, 2022.

Financial assets measured at fair value through profit or loss, in the amount of €1.5 billion, include financial assets held for trading in the amount of €227 million (which mainly includes derivatives and securities held for trading), financial assets designated as at fair value in the amount of €317 million (represented by instruments in which liquidity from the Guarantee Scheme is invested, mainly European government securities), and other financial assets mandatorily measured at fair value in the amount of €950 million (mainly in units of collective investment undertakings - CIUs, policies and postal bonds).

[14] The figures at December 31, 2022 have been reclassified. In particular: i) the non-performing loans sold as part of the derisking operations undertaken by the Parent Company during 2022 are reported in the financial statements under non-current assets held for sale, but here are included under loans at amortized cost; ii) funding from the BCC For Web business unit, the online branch of a Group mutual bank is reported in the financial statements under non-current liabilities held for sale, but here are included under amounts due to customers; iii) the results of the Parent Company's e-money business, the sale of which to BCC Pay was completed in the first half of 2022, and the results of BCC Pay SpA, sold to Pay Holding SpA on August 4, 2022, are reported in the financial statements under profit/loss on discontinued operations, but here have been allocated to the relevant income statement items.

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

| €/thousands | L1 | L2 | L3 | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| Financial assets held for trading | 92,514 | 134,522 | 264 | 227,299 | 254,494 |
| Debt securities | 80,356 | 6,325 | 13 | 86,694 | 22,252 |
| Equity securities | 1,758 | - | - | 1,758 | 2,436 |
| Units in collective investment undertakings | 10,080 | 14 | 105 | 10,200 | 1,337 |
| Financial derivatives | 320 | 128,182 | 145 | 128,647 | 228,470 |
| Financial assets designated as at fair value | 315,788 | - | 1,289 | 317,077 | 251,392 |
| Debt securities | 315,788 | - | | 315,788 | 249,872 |
| Financing | - | - | 1,289 | 1,289 | 1,519 |
| Financial assets mandatorily measured at fair value | 86,532 | 505,311 | 358,015 | 949,858 | 1,169,936 |
| Debt securities | 20,463 | 20,067 | 4,790 | 45,320 | 72,196 |
| Equity securities | 32,949 | 28,110 | 9,843 | 70,902 | 55,319 |
| Units in collective investment undertakings | 33,121 | 66,672 | 310,971 | 410,763 | 326,789 |
| Financing | | 390,462 | 32,410 | 422,872 | 715,632 |
| **Financial assets measured at fair value through profit or loss** | **494,834** | **639,833** | **359,567** | **1,494,234** | **1,675,821** |

The portfolio of financial assets measured at fair value through other comprehensive income amounted to €7.7 billion, down €615 million on December 31, 2022, 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 €504 million, which are measured at fair value through other comprehensive income without recycling to profit or loss.

| €/thousands | L1 | L2 | L3 | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| Debt securities | 7,166,410 | 22,633 | 18 | 7,189,061 | 7,811,558 |
| Equity securities | 26,349 | 424,106 | 53,896 | 504,351 | 497,038 |
| **Financial assets measured at fair value through other comprehensive income** | **7,192,758** | **446,739** | **53,914** | **7,693,412** | **8,308,596** |

Financial assets measured at amortized cost amounted to €145.5 billion, of which more than 64% 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 31/12/2023 |
| Financing | 93,398,033 | 3,649,018 | (868,417) | (2,636,155) | 93,542,479 |
| Loans to banks [15] | 2,662,878 | - | (6,658) | - | 2,656,220 |
| Loans to customers[16] | 90,735,155 | 3,649,017 | (861,759) | (2,636,154) | 90,886,259 |
| Debt securities | 52,040,490 | 1,595 | (102,528) | (1,435) | 51,938,123 |
| **Total financial assets measured at amortized cost** | **145,438,523** | **3,650,613** | **(970,945)** | **(2,637,589)** | **145,480,602** |

[15] Source: based on consolidated Finrep data.

More specifically, net loans to customers totaled about €90.9 billion, €89.9 billion of which performing and about €1 billion related to impaired positions. Of this total, about 80% was in medium and long-term financing (both loans and leases).

| €/thousands | Total 31/12/2023 | % share | Total 31/12/2022 | % share |
|---|---|---|---|---|
| Current accounts | 6,383,748 | 7.0% | 6,342,398 | 7.0% |
| Repurchase agreements | 874,600 | 1.0% | 778,722 | 0.9% |
| Medium/long-term loans | 69,458,911 | 76.4% | 70,032,270 | 76.9% |
| Credit cards, personal loans and salary-backed loans | 2,389,285 | 2.6% | 2,149,929 | 2.4% |
| Lease financing | 3,618,216 | 4.0% | 3,766,444 | 4.1% |
| Factoring | 814,586 | 0.9% | 648,090 | 0.7% |
| Other lending | 7,346,912 | 8.1% | 7,297,685 | 8.0% |
| **Financial assets measured at amortized cost – Loans to customers** | **90,886,258** | **100.0%** | **91,015,537** | **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 3.8% of total gross lending (3.9% of loans to customers alone). Net impaired loans amounted to about €1 billion, equal to 1.1% of net lending (1.1% when considering only ordinary customers). The ratios of net bad loans and net unlikely-to-pay positions to total net lending came to 0.1% and 0.7% respectively (0.2% 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 NPLs to 72.2% in 2023, an increase of 4.4 percentage points compared with the end of the previous year.

| Type of exposure | Gross exposure | Writedowns | Net exposure | Coverage 31/12/2023 | Coverage 31/12/2022 |
|---|---|---|---|---|---|
| Bad loans | 1,080,351 | (942,620) | 137,731 | 87.3% | 82.3% |
| Unlikely-to-pay positions | 2,241,780 | (1,561,151) | 680,629 | 69.6% | 64.6% |
| Impaired past-due positions | 326,886 | (132,383) | 194,503 | 40.5% | 28.5% |
| **Impaired exposures to customers at year end** | **3,649,017** | **(2,636,154)** | **1,012,863** | **72.2%** | **67.8%** |

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 €94.4 billion, have mainly gone to households and small and medium-sized enterprises (SMEs), which accounted for 40.6% and 40.7% of total lending, respectively. As shown in the table below, these segments feature a lower NPL 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 | Ratio to total | | Ratio to total performing | |
|---|---|---|---|---|---|---|
| | | | Ratio to total | Ratio to total performing | Ratio to total | Ratio to total NPL |
| **Ordinary customers** | **93,295,275** | **98.8%** | **96.1%** | **98.8%** | **3.9%** | **100.0%** |
| Consumer households | 38,356,289 | 40.6% | 97.6% | 41.2% | 2.4% | 25.7% |
| Small and medium-sized enterprises | 38,397,554 | 40.7% | 95.3% | 40.3% | 4.7% | 49.2% |
| - Family businesses | 6,639,218 | 7.0% | 94.4% | 6.9% | 5.6% | 10.2% |
| - Micro-businesses, associations and other organizations | 7,057,925 | 7.5% | 94.5% | 7.4% | 5.5% | 10.5% |
| - Other SMEs | 24,700,411 | 26.2% | 95.8% | 26.1% | 4.2% | 28.4% |
| Other non-financial companies | 15,240,926 | 16.1% | 94.0% | 15.8% | 6.0% | 24.8% |
| Other financial companies | 1,300,505 | 1.4% | 99.1% | 1.4% | 0.9% | 0.3% |
| **Government entities** | **1,088,897** | **1.2%** | **99.9%** | **1.2%** | **0.1%** | **0.0%** |
| **Total loans to customers at period end** | **94,384,172** | **100.0%** | **96.1%** | **100.0%** | **3.9%** | **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%).

| Performing loans and advances | Non-performing loans and advances | Performing loans and advances | Performing loans and advances | | Non-performing loans and advances | |
|---|---|---|---|---|---|---|
| | | | Ratio to total | Ratio to total performing | NPL Ratio | Ratio to total NPL |
| North-east | 27,637,727 | 29.3% | 28.4% | 29.5% | 3.2% | 24.0% |
| North-west | 25,172,419 | 26.7% | 25.7% | 26.8% | 3.6% | 24.5% |
| Center | 29,566,394 | 31.3% | 30.0% | 31.2% | 4.4% | 35.5% |
| South and islands | 12,007,632 | 12.7% | 12.1% | 12.6% | 4.9% | 15.9% |
| **Total loans to customers at period end** | **94,384,172** | **100.0%** | **96.1%** | **100.0%** | **3.9%** | **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 NPLs), and commerce.

| 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 | NPL Ratio | Ratio to total NPL |
| Consumer households | 38,356,289 | 40.6% | 97.6% | 41.2% | 2.4% | 25.7% |
| Primary sector | 5,353,976 | 5.7% | 96.2% | 5.7% | 3.8% | 5.6% |
| Manufacturing | 12,506,504 | 13.3% | 96.2% | 13.3% | 3.8% | 13.1% |
| Commerce | 9,354,942 | 9.9% | 95.0% | 9.8% | 5.0% | 12.7% |
| Real estate and construction | 11,738,937 | 12.4% | 91.8% | 11.9% | 8.2% | 26.3% |
| Services and other | 14,684,147 | 15.6% | 95.9% | 15.5% | 4.1% | 16.3% |
| Government entities | 1,088,897 | 1.2% | 99.9% | 1.2% | 0.1% | 0.0% |
| Financial companies | 1,300,480 | 1.4% | 99.1% | 1.4% | 0.9% | 0.3% |
| **Total loans to customers at period end** | **94,384,172** | **100.0%** | **96.1%** | **100.0%** | **3.9%** | **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 (more than 60%). More specifically, about 63.1% of all impaired lending is backed by collateral, and this figure is to be interpreted in conjunction with the high level of NPL 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 | NPL Ratio | Ratio to total NPL |
| Collateral | 56,821,785 | 60.2% | 95.9% | 60.1% | 4.1% | 63.1% |
| Unsecured guarantees | 22,582,032 | 23.9% | 95.8% | 23.9% | 4.2% | 25.7% |
| Not guaranteed | 14,980,354 | 15.9% | 97.3% | 16.1% | 2.7% | 11.1% |
| **Total loans to customers at period end** | **94,384,172** | **100.0%** | **96.1%** | **100.0%** | **3.9%** | **100.0%** |

With regard to financial assets measured at amortized cost, amounts due from banks amounted to approximately €2.7 billion and include €1.9 billion in respect of the reserve requirement with central banks, an increase of €1.4 billion on the end of the previous year.

| €/thousands | Stages 1 and 2 | Stage 3 | Total 31/12/2023 | % share | Total 31/12/2022 | % share |
|---|---|---|---|---|---|---|
| Due from central banks – reserve requirement | 1,947,030 | | 1,947,030 | 73.3% | 589,472 | 37.9% |
| Loans to banks - financing | 709,190 | - | 709,190 | 26.7% | 967,530 | 62.1% |
| **Financial assets measured at amortized cost – Loans to banks** | **2,656,221** | **-** | **2,656,221** | **100.0%** | **1,557,002** | **100.0%** |

Finally, debt securities measured at amortized cost (under the HTC business model), largely represented by Italian government securities, totaled €51.9 billion, down €6.1 billion on December 31, 2022.

Among assets: (i) equity investments (€239.8 million) represent interests in associates, the most significant of which are the investments in Pay Holding SpA (€211.2 million) and Pitagora SpA (€11.3 million); (ii) property, plant and equipment, totaling €2.4 billion, which mainly includes property used in operations (€1.9 billion) as well as properties contributed to consolidated real estate investment funds in the amount of €0.4 billion; (iii) intangible assets (€174.6 million) mainly include software and user licenses (€121 million), goodwill recognized on initial consolidation of a number of controlling interests (€35.9 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 €1.3 billion including current taxes of about €0.3 billion and deferred tax assets of about €1 billion, the latter of which includes about €0.7 billion referring to Law 214/2011; (v) assets held for sale (€4.6 billion) mainly include the assets of BCC Vita and BCC Assicurazioni, which have been consolidated from September 2023 following the acquisition of control and are presented in the consolidated financial statements in accordance with IFRS 5[16]; and (vi) other assets of about €5.8 billion, which among other things include tax credits of about €3.6 billion.

### Consolidated liabilities and equity

| €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Financial liabilities measured at amortized cost | 152,795,976 | 157,077,471 |
| a) due to banks | 17,922,680 | 28,518,246 |
| b) due to customers | 122,522,919 | 119,363,643 |
| c) securities issued | 12,350,376 | 9,195,582 |
| Financial liabilities held for trading | 111,588 | 236,482 |
| Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-) | 219,917 | 349,416 |
| Tax liabilities | 71,537 | 75,317 |
| Liabilities associated with assets held for sale | 4,320,959 | - |
| Other liabilities | 2,315,340 | 3,165,472 |
| Post-employment benefits | 215,977 | 225,719 |
| Provisions for risks and charges | 572,459 | 542,064 |
| Equity | 12,032,522 | 10,083,464 |
| Profit/(loss) for the period | 1,856,369 | 1,787,052 |
| **Total liabilities and equity** | **174,512,644** | **173,542,458** |

Total consolidated liabilities and equity amounted to more than €174.5 billion, up about €1 billion (-3%) on December 31, 2022.

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) totaling about €120.3 billion, a decrease on the end of 2022, attributable to the decline in current accounts and demand deposits (-€5 billion), partially offset by an increase in time deposits (+€1.5 billion) and new issues of securities (+€3.1 billion).

[16] At the time of acquisition of control, the conditions set out in IFRS 5 paragraph 7 were already satisfied. The purchase of 70% of the two investments, completed on September 27, 2023, was carried out for the purpose of transferring 51% of the companies in 2024 to a new insurance partner (BNP Paribas Cardif for BCC Vita and Assimoco SpA for BCC Assicurazioni), subject to the definition of a distribution agreement (partnership).

| €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Due to customers | 107,945,457 | 111,650,210 |
| Current accounts and demand deposits | 101,641,888 | 106,716,163 |
| Time deposits | 5,202,421 | 3,698,246 |
| Other amounts due | 1,101,147 | 1,235,800 |
| Outstanding securities | 12,350,376 | 9,195,582 |
| Bonds | 6,543,286 | 5,433,875 |
| Other securities | 5,807,090 | 3,761,707 |
| **Financial liabilities measured at amortized cost – Direct funding from ordinary customers** | **120,295,833** | **120,845,792** |

Amounts due to ordinary customers came to €107.9 billion, down €3.7 billion on the end of 2022. Of the total, 80% is represented by funding from consumer households and SMEs.

| €/thousands | 31/12/2023 | | 31/12/2022 | |
|---|---|---|---|---|
| | Total | Ratio to total | Total | Ratio to total |
| **Ordinary customers** | **105,125,942** | **97.4%** | **109,530,991** | **98.1%** |
| Consumer households | 56,589,859 | 52.4% | 67,282,974 | 60.3% |
| Small and medium-sized enterprises | 28,759,994 | 26.6% | 33,230,793 | 29.8% |
| - Producer households | 5,338,819 | 4.9% | 6,272,214 | 5.6% |
| - Micro-businesses, associations and other organizations | 5,909,421 | 5.5% | 6,665,995 | 6.0% |
| - Other SMEs | 17,511,755 | 16.2% | 20,292,584 | 18.2% |
| - Other non-financial companies | 16,769,062 | 15.5% | 5,604,557 | 5.0% |
| - Other financial companies | 3,007,027 | 2.8% | 3,412,667 | 3.1% |
| **Government entities** | **2,819,514** | **2.6%** | **2,119,219** | **1.9%** |
| **Deposits and current accounts at amortized cost** | **107,945,457** | **100.0%** | **111,650,210** | **100.0%** |

The remainder of financial liabilities measured at amortized cost comprises funding from institutional customers (€32.5 billion) and includes: (i) €12 billion in repurchase agreements, almost entirely with the Clearing & Guarantee Fund; (ii) €17.9 billion in amounts due to banks, of which €16.2 billion in operations with the ECB (notably TLTROs) and €1.7 billion in other amounts due to banks outside the Group.

Amounts due to banks, of which 90% is represented by exposures to central banks, decreased by €10.6 billion. Those exposures contracted by €10 billion in connection with deleveraging transactions carried out during the period (partial repayment of TLTRO funding).

| €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Loans to customers | 14,577,463 | 7,713,433 |
| Repos | 12,079,638 | 6,413,024 |
| Other | 2,497,824 | 1,300,409 |
| Due to banks | 17,922,680 | 28,518,246 |
| Due to central banks | 16,204,661 | 26,290,563 |
| Due to banks | 1,718,019 | 2,227,683 |
| Current accounts and demand deposits | 998,151 | 1,779,347 |
| Time deposits | 40,235 | 54,828 |
| Loans and repurchase agreements | 602,559 | 133,727 |
| Other | 77,074 | 259,781 |
| **Financial liabilities measured at amortized cost – Funding from institutional customers** | **32,500,143** | **36,231,679** |

Other main liabilities include the following: (i) financial liabilities held for trading, in the amount of €111.6 million (-€125 million on 2022), which include the negative fair value of trading derivatives; (ii) tax liabilities totaling €71.5 million, including €28.5 million in deferred tax liabilities on temporarily non-taxable revenues; (iii) liabilities held for sale (€4.3 billion) mainly include the liabilities of BCC Vita and BCC Assicurazioni, which presented in the consolidated financial statements in accordance with IFRS 5; (iv) other liabilities of about €2.3 billion; (v) post-employment benefits for the Group totaling more than €215.9 million and (vi) provisions for risks and charges of €572 million, which includes provisions for credit risk in the amount of about €308 million against commitments to disburse funds and financial guarantees issued.

### Consolidated shareholders' equity

Consolidated shareholders' equity totaled €13.9 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 about €10.9 billion and mainly included legal reserves of €12 billion – accumulated as a result of an aggressive 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 reserve of €1.6 billion.

| €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Share capital | 2,290,202 | 2,291,261 |
| Equity instruments | 30,139 | 30,139 |
| Share premium reserve | 152,967 | 150,834 |
| Treasury shares | (1,382,888) | (1,380,525) |
| Valuation reserves | 47,360 | (205,161) |
| Reserves | 10,894,741 | 9,164,416 |
| Profit for the period | 1,856,369 | 1,787,052 |
| **Equity attributable to shareholders of the Parent Company** | **13,888,890** | **11,838,016** |
| Non-controlling interests (+/-) | - | 32,501 |
| **Total shareholders' equity** | **13,888,890** | **11,870,517** |

## INCOME STATEMENT

### Consolidated income statement

| €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **Net interest income** | **4,094,933** | **3,693,433** |
| **Net fee and commission income** | **1,348,189** | **1,390,464** |
| Dividends, net gain/(loss) on trading activities, net gain/(loss) on hedging and net gain/(loss) on assets and liabilities at FVTPL | 84,769 | 29,900 |
| Net gain (loss) on disposals | 61,841 | 41,152 |
| **Gross income** | **5,589,733** | **5,154,949** |
| Net writedowns/writebacks for credit risk | (401,937) | (476,683) |
| *- Financial assets measured at amortized cost – Loans to customers* | (388,779) | (478,935) |
| Gains/losses from contract modifications without cancellations | (5,581) | (2,098) |
| **Net income/(loss) from financial operations** | **5,182,214** | **4,676,169** |
| Administrative expenses | (3,151,010) | (3,088,806) |
| a) personnel expenses | (1,898,920) | (1,808,008) |
| b) other administrative expenses | (1,252,090) | (1,280,798) |
| Depreciation, amortization and provisions | (297,975) | (281,079) |
| *- of which provisions for guarantees issued* | (13,937) | (15,585) |
| Other operating income/expense | 353,506 | 321,852 |
| **Operating expenses** | **(3,095,479)** | **(3,048,033)** |
| Profit/(loss) from equity investments | 29,641 | (6,385) |
| Net gain/(loss) from fair value measurement of property, plant and equipment and intangible assets | (19,815) | (23,835) |
| Writedown of goodwill | (971) | (1,523) |
| Profit/(loss) from disposal of investments | (1,136) | (2,080) |
| **Profit/(loss) before tax on continuing operations** | **2,094,454** | **1,594,313** |
| Income tax expense from continuing operations | (334,514) | (222,697) |
| Profit/(loss) after tax on discontinued operations | 97,666 | 424,493 |
| **Profit/(loss) for the period** | **1,857,606** | **1,796,109** |
| **Net profit/(loss) attributable to non-controlling interests** | 1,237 | 9,057 |
| **Net profit/(loss) attributable to shareholders of the Parent Company** | **1,856,369** | **1,787,052** |

The Group ended 2023 with net profit of €1.9 billion, slightly up on 2022.

More specifically, net interest income came to €4 billion, the net result of interest income of €6.1 billion (including €4.2 billion on loans to customers and €1.5 billion on debt securities) and interest expense of about €2 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 (+€401 million compared with 2022) is mainly attributable to: (i) an increase in interest income on loans to customers (+€1.7 billion, mainly reflecting the increase in interest rates); (ii) a decrease in interest income on debt securities (-€395 million), primarily connected with a deterioration in the performance of BTPi and a contraction in the stock of securities held); (iii) a decrease in negative differentials connected with hedging derivatives on hedged financial instruments (+€685 million); (iv) an increase in interest accrued on tax credits resulting from tax incentive measures contained in government programs (+€96 million); (v) an increase in negative interest on TLTRO financing (-€677 million); (vi) a decrease in interest income on funding with negative rates (-€191 million); and (vii) an increase in interest expense on customer funding (-€804 million, reflecting an increase in interest rates on funding from customers).

## Interest and similar income

| €/thousands | Debt securities | Loans | Other transactions | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | 19,353 | 4,595 | - | 23,948 | 12,791 |
| Financial assets measured at fair value through other comprehensive income | 176,878 | - | - | 176,878 | 133,193 |
| Financial assets measured at amortized cost | 1,349,766 | 4,297,901 | - | 5,647,667 | 4,294,763 |
| Hedge derivatives | - | - | 71,139 | 71,139 | (616,146) |
| Other assets | - | - | 190,142 | 190,142 | 94,044 |
| Financial liabilities | - | - | 2,802 | 2,802 | 193,691 |
| **Interest and similar income** | **1,545,998** | **4,302,495** | **264,083** | **6,112,576** | **4,112,336** |

## Interest and similar expense

| €/thousands | Payables | Securities | Other transactions | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| Financial liabilities measured at amortized cost | (1,735,692) | (268,047) | - | (2,003,738) | (372,584) |
| Financial liabilities held for trading | - | - | - | - | (52) |
| Financial liabilities designated as at fair value | - | - | - | - | (49) |
| Other liabilities and provisions | - | - | (2,829) | (2,829) | (1,906) |
| Hedge derivatives | - | - | (1,227) | (1,227) | 1,375 |
| Financial assets | - | - | (9,849) | (9,849) | (45,687) |
| **Interest and similar expense** | **(1,735,692)** | **(268,047)** | **(13,905)** | **(2,017,644)** | **(418,903)** |

Net fee and commission income amounted to €1.3 billion in 2023, broadly unchanged on 2022. The figure includes fee and commission income of about €1.6 billion (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 €268.6 million.

## Fee and commission income

| €/thousands | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Guarantees issued | 25,131 | 24,673 |
| Management, intermediation and advisory services | 165,433 | 143,183 |
| Management of current accounts | 559,643 | 547,460 |
| Other collection and payment services | 505,004 | 695,805 |
| Distribution of third-party services | 268,920 | 266,489 |
| Other services | 92,632 | 100,313 |
| **Fee and commission income** | **1,616,762** | **1,777,922** |

## Fee and commission expense

| €/thousands | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Guarantees received | (2,865) | (2,206) |
| Management and intermediation services | (12,269) | (10,327) |
| Collection and payment services | (226,066) | (348,597) |
| Other services | (27,373) | (26,328) |
| **Fee and commission expense** | **(268,573)** | **(387,458)** |

The net gain on disposals came to €61.8 million, mainly reflecting the gain on the assignment of loans by Group banks in the amount of €100.8 million and the loss on the sale of debt securities classified at amortized cost and assets measured at fair value through other comprehensive income (totaling a net €40 million).

Net writedowns for credit risk amounted to €401.9 million, a slight decrease compared with the previous year, reflecting both the evolution of the models for measuring credit risk parameters for performing positions and the robust monitoring of impaired positions implemented by the Group since its establishment, with a coverage ratio of 72.2%.

Operating expenses amounted to about €3 billion, a slight increase on the previous year (+€47 million), reflecting in part the increase in Group personnel expenses, which mainly reflected the renewal of the national collective bargaining agreement in 2022.

Profit from equity investments amounted to €29.6 million. It include the financial effect of the equity valuation of investments in associates (a total of €13 million) as well as the revaluation of the interests in the insurance companies following the acquisition of control, equal to €5.8 million, and the recognition of the earn-out connected with the sale of the investment in BCC Pay to FSI during 2022 (€10.4 million).

The net profit from discontinued operations mainly includes: (i) the net gain on the sale of the correspondent banking operations (€79 million) and (ii) the net profit of the insurance companies BCC Vita and BCC Assicurazioni (€18.5 million), which were consolidated in the last quarter of the year following the acquisition of control and are presented in the consolidated financial statements in accordance with IFRS 5. In 2022, the item reported the profit from the e-money business, which was sold during the year, and the gain recognized by the Group following the sale of the interest in BCC Pay to FSI.

# CONSOLIDATED OWN FUNDS AND CAPITAL ADEQUACY

## Own funds

The following table offers a breakdown of own funds at December 31, 2023, which amounted to about €14.30 billion.

| Capital and capital ratios - €/thousands | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Share capital | 2,290,202 | 2,291,261 |
| Share premium reserve | 152,967 | 150,834 |
| Treasury shares and repurchase commitments | (1,401,693) | (1,401,557) |
| Reserves | 11,150,748 | 9,420,135 |
| Profit/(Loss) for the period | 1,675,495 | 1,691,628 |
| Other comprehensive income | (208,647) | (460,880) |
| Transitional provisions – IFRS 9 | 58,193 | 668,033 |
| Goodwill (net of related tax effects) | (42,114) | (19,380) |
| Intangible assets (net of related tax effects) | (82,117) | (85,099) |
| Other deductions | (23,495) | (29,678) |
| Prudential filters | 2,633 | 60,359 |
| **Common Equity Tier 1 (CET 1)** | **13,572,173** | **12,285,654** |
| Additional Tier 1 (AT1) | 30,139 | 30,139 |
| **Tier 1 (T1)** | **13,602,312** | **12,315,793** |
| Eligible subordinated loans | 700,041 | 709,522 |
| **Tier 2 (T2)** | **700,041** | **709,522** |
| **Total Own Funds (TC)** | **14,302,353** | **13,025,315** |

In light of the special accounting rules applicable[17] 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 (€11.2 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 decreased by about €889 million after elimination of the capital of the Parent Company held by the affiliated banks (reported under treasury shares).

CET1 at December 31, 2023, which represents 94.9% of total capital, increases with respect to December 2022 by a total of about €1.3 billion (+9%), reflecting the algebraic sum of developments in a number of its main components, and specifically: (i) an increase in reserves (+€1,731 million, due primarily to the capitalization of 2022 net profit; (ii) calculated net profit for the year– as per application to the ECB submitted on February 7, 2024 and approved by the ECB on February 9, 2024 – totaling €1,675 million; (iii) the reduction of the IFRS 9 phase-in, due to the elimination of the static and dynamic components of first-time application and the reduction from 75% to 50% of the quick-fix changes (total reduction of about €499 million); and (iv) an increase in the FVOCI reserve, equal to -€209 million (+€252 million compared with December 2022), now no longer mitigated by the prudential filter pursuant to Article 468 paragraph 1 (which had been recognized at December 2022 with a benefit of about €111 million).

Additional Tier 1 capital did not change, while the change in Tier 2 (a reduction of about €9 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%

[17] 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.

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).

In addition, 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.

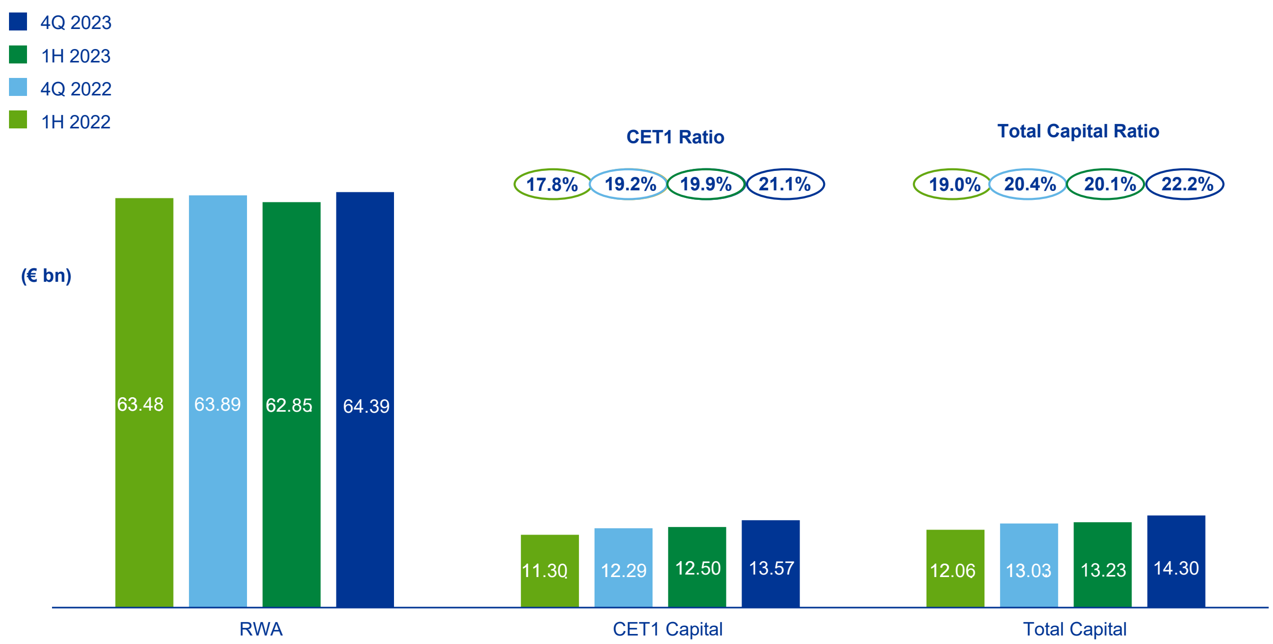
Given the above, for 2024 the Iccrea Cooperative Banking Group is therefore required to comply with:

- 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%.

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. Accordingly, in order to meet the above consolidated requirements, procedures for allocating them at an individual level are provided for in the main Risk Governance processes (i.e. RAF, EWS), compatibly with the capital capacity of each affiliated bank, thus ensuring that the Group's strategies and financial constraints are also reflected at the individual level.

With the dynamics in own funds noted above, RWAs increased by 0.8% compared with the end of 2022 (€64.39 billion, compared with €63.89 billion at the end of December 2022).

The CET1 ratio at December 31, 2023, came to 21.1%, while the TC ratio came to 22.2%. As shown in the figure below, both of these ratios registered a substantial increase compared with December 2022 (19.2% and 20.4%, respectively).



## Minimum Requirement of Eligible Liabilities (MREL)

With regard to Pillar II capital adequacy, Directive 2014/59/EU on bank recovery and resolution (Bank Recovery and Resolution Directive - BRRD - as amended) introduced the "MREL" (Minimum Requirement of Eligible Liabilities), representing 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 2023, 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.

On the basis of that notice, 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 25.55% of RWAs (including the combined buffer requirement of 2.5% of RWAs) and 6.35% of the LRE. The intermediate subordination requirement, to be met on a consolidated basis starting from January 1, 2022, is equal to 20.57% of RWAs (including the combined buffer requirement of 2.5% of RWAs) 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 118.62% of RWAs (including the combined buffer requirement of 2.5% of RWA) and 6.35% of the LRE. The intermediate subordination requirement, to be met on a consolidated basis starting from January 1, 2022, is equal to 16% of RWAs (including the combined buffer requirement of 2.5% of RWAs) 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 December 31, 2023, the Group had, with respect to:

- the mandatory intermediate MREL on a consolidated basis, a surplus of about €3,623 million in terms of RWAs (+5.63% of consolidated RWAs) and a surplus of about €5,608 million in terms of the LRE (+3.16% of the consolidated LRE);
- the mandatory intermediate subordination requirement on a consolidated basis, a surplus of about €4,055 million in terms of RWAs (+6.30% of consolidated RWAs) and a surplus of about €3,097 million in terms of the LRE (+1.75% of the consolidated LRE).

Finally, on March 6, 2024, the Single Resolution Board (SRB) transmitted its decision on the minimum requirement for own funds and eligible liabilities at the consolidated and individual levels for the Relevant Legal Entities ( "RLEs") identified in the 2023 resolution cycle[18].

The decision provides for a final mandatory level for the external MREL on a consolidated basis, to be met by January 1, 2026, equal to 25.86% of consolidated RWA (including the combined buffer requirement equal to 2.625% of consolidated RWA) and 6.47% of the consolidated LRE.

With respect to the 2023 MREL decision, we note:

- an increase in the final mandatory level (compliance by January 1, 2026) in terms of RWA of +18 bps, the result of the following dynamics:
  - a reduction in the LAA component (-3 bps) attributable to the reduction in the Pillar 2 Requirement (P2R) notified in the 2022 SREP decision (2.80% compared to 2.83% in 2023);
  - an increase in the RCA component (+21 bps) attributable to: (i) the reduction in the Pillar 2 Requirement (P2R) of -7 bps; (ii) the increase in Market Charge Confidence (MCC) of +31.25 bps and (iii) the contraction in the balance sheet of -3.25 bps.

[18] BCC Leasing; BCC di Roma; BCC di Alba; Emil Banca; BCC Ravennate; ChiantiBanca; BCC di Milano; Banca della Marca; Banca delle Terre Venete; BCC Carate Brianza, BCC Veneta and BCC Cantù.

- an increase in the final mandatory level (compliance by January 1, 2026) in terms of LRE equal to +12 bps resulting from its adjustment to the subordination requirement (equal to 6.47%).

The decision provides for a final mandatory level of the subordination requirement on a consolidated basis, with compliance by January 1, 2026, equal to 18.205% of RWA (including the combined buffer requirement equal to 2.625% of RWA) and 6.47% of the LRE. In line with the 2023 MREL decision, the Single Resolution Committee set the subordination requirement at below 8% of TLOF by virtue of the Group's progress on resolvability and the absence of No-Creditor-Worse-Off (NCWO) risk.

## 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 | 373,273 | 14,912,129 | 57,940 | 51,769,685 | (5,036,002) | 62,077,026 |
| Due from banks | 73,904 | 28,276,828 | 2,613 | 8,930,344 | (34,627,468) | 2,656,221 |
| Due from customers | 4,916,505 | 7,440,053 | 1,538,582 | 79,668,263 | (2,677,145) | 90,886,258 |
| Funding from banks | 4,502,029 | 34,694,385 | 1,559,443 | 23,523,285 | (46,356,462) | 17,922,680 |
| Funding from customers | 337,459 | 14,933,672 | 727 | 107,355,522 | (104,461) | 122,522,919 |
| Securities and other financial liabilities | 60,438 | 6,589,540 | 2,497 | 9,634,816 | (3,604,849) | 12,682,441 |

| | CORPORATE | INSTITUTIONAL | RETAIL | MUTUAL BANKS | INTERSEGMENT TRANSACTIONS | TOTAL |
|---|---|---|---|---|---|---|
| Net interest income | 115,524 | 114,822 | 71,027 | 3,806,462 | (12,902) | 4,094,933 |
| Net fee and commission income | 10,139 | 64,772 | 65,305 | 1,250,438 | (42,464) | 1,348,189 |
| Other financial expense and income | 3,448 | 427,461 | 937 | (275,033) | (10,202) | 146,611 |
| **Gross income** | **129,110** | **607,055** | **137,269** | **4,781,867** | **(65,567)** | **5,589,733** |
| Net value adjustments | 26,919 | (25,869) | 341 | (408,907) | (2) | (407,518) |
| **Net gains/(losses) from financial operations** | **156,028** | **581,185** | **137,611** | **4,372,960** | **(65,570)** | **5,182,214** |
| Operating expenses | (59,426) | (246,257) | (59,375) | (2,686,204) | (44,217) | (3,095,479) |
| Other costs and revenues | 79 | 8,385 | 491 | (13,865) | 12,628 | 7,719 |
| **Profit/(loss) before tax on continuing operations** | **96,682** | **343,313** | **78,726** | **1,672,891** | **(97,158)** | **2,094,454** |
| Income tax expense from continuing operations | (32,601) | 3,072 | (25,256) | (281,376) | 1,647 | (334,514) |
| **Profit/(loss) for the period** | **64,081** | **346,385** | **53,470** | **1,391,515** | **(95,511)** | **1,759,940** |
| Profit/(loss) after tax on continuing operations | | 80,426 | 18,506 | | (1,266) | 97,666 |
| **Profit/(loss) after tax on discontinued operations** | **64,081** | **426,812** | **71,976** | **1,391,515** | **(96,777)** | **1,857,606** |
| **Profit/(loss) attributable to non-controlling interests** | **-** | **1,237** | **-** | **-** | **-** | **1,237** |
| **Profit/(loss) attributable to shareholders of the Parent Company** | **64,081** | **425,574** | **71,976** | **1,391,515** | **(96,777)** | **1,856,369** |

## 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 and other minor companies.

| €/thousands | INSTITUTIONAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Iccrea Banca | | BCC Sistemi Informatici | | BCC Sinergia | | BCC POS | | Other (*) | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Cash and cash equivalents | 4,759,314 | 960,917 | 525 | 9,814 | 19,935 | 11,385 | 7,462 | - | 16,501 | 274,154 |
| Financial assets measured at fair value through profit or loss | 1,977,687 | 2,521,624 | - | - | - | - | - | - | - | - |
| Financial assets measured at fair value through other comprehensive income | 1,224,308 | 1,079,476 | 8 | 8 | 4 | 2 | - | - | - | 2,468 |
| Financial assets measured at amortized cost | 48,502,908 | 51,073,505 | - | - | 3,102 | - | - | - | 5 | - |
| a) due from banks | 28,273,822 | 34,043,222 | - | - | 3,007 | - | - | - | - | - |
| b) loans to customers | 7,558,420 | 7,079,255 | - | - | 95 | - | - | - | 5 | - |
| c) securities | 12,670,666 | 9,951,029 | - | - | - | - | - | - | - | - |
| Hedging derivatives and value adjustments of macro-hedged financial assets | 162,418 | 569,601 | - | - | - | - | - | - | - | - |
| Equity investments | 1,372,145 | 1,568,623 | - | - | - | - | - | - | - | - |
| Property, plant and equipment | 90,770 | 2,502 | 35,055 | 41,985 | 17,987 | 105,667 | 10,085 | - | 56,943 | 59,749 |
| Intangible assets | 247 | 536 | 117,335 | 124,931 | 1,774 | 128 | 409 | - | 564 | 898 |
| Tax assets | 51,136 | 67,077 | 4,240 | 3,221 | 2,365 | 535 | 241 | - | 4,250 | 3,127 |
| Non-current assets and disposal groups held for sale | 142,678 | 5,438 | - | - | 537 | - | - | - | - | - |
| Other assets | 835,607 | 642,509 | 120,920 | 128,658 | 85,858 | 12,207 | 4,359 | - | 12,977 | 15,062 |
| **Total assets** | **59,119,218** | **58,491,808** | **278,083** | **308,616** | **131,563** | **129,923** | **22,557** | **-** | **91,240** | **355,458** |

| €/thousands | INSTITUTIONAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Iccrea Banca | | BCC Sistemi Informatici | | BCC Sinergia | | BCC POS | | Other (*) | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Financial liabilities measured at amortized cost | 54,800,756 | 53,682,926 | 74,163 | 86,959 | 56,902 | 53,303 | 663 | - | 26,725 | 25,665 |
| a) due to banks | 34,677,583 | 41,593,508 | 66,804 | 76,021 | 44,749 | 39,830 | - | - | 26,725 | 25,665 |
| b) due to customers | 14,926,307 | 8,663,966 | 7,360 | 10,939 | 12,152 | 13,474 | 663 | - | - | - |
| c) securities issued | 5,196,867 | 3,425,452 | - | - | - | - | - | - | - | - |
| Financial liabilities held for trading | 1,048,214 | 1,729,244 | - | - | - | - | - | - | - | - |
| Financial liabilities designated as at fair value | 387,148 | 352,484 | - | - | - | - | - | - | - | - |
| Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-) | 88,523 | 165,494 | - | - | - | - | - | - | - | - |
| Liabilities associated with disposal groups held for sale | - | - | 707 | 238 | - | 498 | - | - | 195 | 280 |
| Tax liabilities | 20,028 | 3,304 | - | - | 58 | - | 3,364 | - | 232 | - |
| Other liabilities | 377,668 | 403,602 | 85,627 | 105,972 | 57,080 | 12,491 | 9,304 | - | 10,994 | 8,158 |
| Post-employment benefits | 12,216 | 12,649 | 3,237 | 3,086 | 2,996 | 288 | 503 | - | 809 | 125 |
| Provisions for risks and charges | 155,567 | 40,147 | 4,065 | 823 | 2,433 | 59 | - | - | 1,629 | 1,658 |
| Shareholders’ equity | 2,141,180 | 1,662,166 | 104,891 | 109,070 | 6,233 | 59,510 | 750 | - | 54,324 | 48,221 |
| Profit/(loss) for the period (+/-) | 87,920 | 439,793 | 5,393 | 2,468 | 5,862 | 3,775 | 7,973 | - | (3,666) | 3,158 |
| **Total liabilities and equity** | **59,119,218** | **58,491,808** | **278,083** | **308,616** | **131,563** | **129,923** | **22,557** | **-** | **91,240** | **355,458** |

(*) “Other” includes BCC Servizi Assicurativi, BCC Gestione Crediti and BCC Beni Immobili

| €/thousands | INSTITUTIONAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Iccrea Banca | | BCC Sistemi Informatici | | BCC Sinergia | | BCC POS | | Other (*) | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Net interest income | 113,055 | 231,984 | 1,075 | (54) | (609) | (1,288) | 27 | - | 5,324 | 930 |
| Net fee and commission income | 55,863 | 72,100 | (2) | (1) | (18) | (3) | - | - | 9,315 | 12,534 |
| Dividends | 140,341 | 13,475 | - | - | - | - | - | - | - | - |
| Net gain/(loss) on trading | 17,681 | 13,225 | 2 | (14) | - | - | - | - | - | - |
| Net gain/(loss) on hedging | 7,274 | (4,946) | | | - | - | - | - | - | - |
| Net gain/(loss) on disposals | 37,323 | 25,442 | - | - | - | - | - | - | - | - |
| Net gain/(loss) on financial assets and liabilities at FVTPL | (6,451) | (44,500) | - | - | - | - | - | - | - | - |
| **Gross income** | **365,086** | **306,780** | **1,075** | **(69)** | **(628)** | **(1,291)** | **27** | **-** | **14,639** | **13,463** |
| Net writedowns/writebacks for credit risk | (25,845) | 22,591 | | - | - | - | - | - | (24) | - |
| **Net gains/(losses) from financial operations** | **339,241** | **329,371** | **1,075** | **(69)** | **(628)** | **(1,291)** | **27** | **-** | **14,615** | **13,463** |
| Administrative expenses | (482,711) | (462,180) | (256,025) | (242,269) | (131,448) | (32,589) | (2,806) | - | (22,131) | (17,731) |
| a) personnel expenses | (214,065) | (197,079) | (47,398) | (44,591) | (54,350) | (8,866) | (1,701) | - | (8,601) | (6,200) |
| b) other administrative expenses | (268,646) | (265,102) | (208,627) | (197,678) | (77,099) | (23,723) | (1,106) | - | (13,530) | (11,531) |
| Depreciation, amortization and provisions | (117,134) | (433) | (54,793) | (48,020) | (13,538) | (11,630) | (3,034) | - | (5,800) | (1,864) |
| Other operating expenses/income | 217,594 | 114,170 | 318,183 | 293,980 | 151,940 | 50,537 | 16,940 | - | 10,599 | 10,167 |
| **Operating expenses** | **(382,251)** | **(348,444)** | **7,365** | **3,691** | **6,953** | **6,317** | **11,099** | **-** | **(17,333)** | **(9,428)** |
| Profit/(loss) from equity investments | 9,803 | 437,836 | - | - | - | - | - | - | - | - |
| Profit/(loss) from disposal of investments | - | - | - | - | 1 | (3) | - | - | - | - |
| Net gain/(loss) from FV measurement of property, plant and equipment and intangible assets | - | - | - | - | | | - | - | - | - |
| Impairment of goodwill | - | - | - | - | - | - | - | - | - | - |
| **Profit/(loss) before tax on continuing operations** | **(33,207)** | **418,763** | **8,440** | **3,622** | **6,327** | **5,023** | **11,126** | **-** | **(2,718)** | **4,036** |
| Income tax expense from continuing operations | 42,027 | 13,854 | (3,046) | (1,154) | (1,792) | (1,248) | (3,153) | - | (948) | (878) |
| Profit/(loss) on discontinued operations after tax | 79,100 | 7,176 | - | - | 1,327 | - | - | - | - | - |
| **Profit/(loss) for the period** | **87,920** | **439,793** | **5,393** | **2,468** | **5,862** | **3,775** | **7,973** | **-** | **(3,666)** | **3,158** |

## ICCREA BANCA S.P.A.

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 mutual 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 second half of 2023 the collateralized funding operations of the Group banks still largely focused on the ECB's long-term auctions. The repayment of expiring TLTRO funding, which began in the first half of the year, continued with a further €800 million in repayments. The percentage use of collateral for ECB auctions as a proportion of total usage in collateralized funding operations is around 70%.

The Parent Company's recourse to ECB funding in 2023 decreased by about €10 billion, reaching around €15 billion at the end of December 2023. In the second half of the year, Iccrea Banca's treasury made early repayments in both the September 2023 window, in the amount of €3.935 billion, and in the December 2023 window, in the amount of €0.73 billion.

The average liquidity held by the affiliated banks on the daily settlement account was about €4.8 billion, while the average balance held on reserve requirement accounts was about €2 billion. The tiering account, which pays a spread of 30bp on the MRO rate, had a balance of €1.565 billion at the end of 2023.

The Group Treasury managed and optimized an average balance at the Bank of Italy of €1.161 billion, having regular recourse to the deposit facility at the Bank of Italy. The closing balance on the central bank account at December 29, 2023 was about €2 billion.

The second half of 2023 saw a continuation of the increase in benchmark rates and the contraction in the monetary stimulus deployed by the European Central Bank, trend that began in July 2022. The key MRO rate was raised gradually, reaching 4.5% at the meeting of September 2023, while with the decision of 07/27/2023 the ECB brought the remuneration of the reserve requirement account to zero. The financial markets, especially in the latter part of 2023, were anticipating 100 to 150 bp of rate cuts as early as the end of the first half of 2024. In this scenario, the Treasury has attempted to optimize the cost of funding over the yield curve with funding transactions maturing from 18 months to over 2 years. In addition to reducing the current cost of funding, this action improved the Group's liquidity indicators. Also of note is the resumption of activity with the MEF, both in the secured segment, where there is a continuous 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.

With regard to forex operations, at December 31, 2023, 116 thousand contracts had been negotiated, with a total volume of about €7.4 billion, of which €3.8 billion in swap operations, €3.4 billion in spot transactions and €210 million in outright transactions. Trading also continued, transacting a total of €115 billion, mainly in the form of swaps.

Capital market funding operations included the issue, effective January 20, 2023 of a Senior Preferred Social bond (XS2577533875) in the amount of €500 million (fixed-to-floating, with a maturity of 5 years and early redemption possible after 4 years), which has been rated "BB+" by Standard and Poor's and "BB-" by Fitch. The issue was placed with over 125 geographically diversified institutional investors. The transaction - which is part of the process of meeting the MREL requirements, carried out under the €3 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) – is Iccrea Banca's second Social bond after the inaugural issue in November 2021. Its primary objective is to support the real economy and SMEs operating in economically disadvantaged areas of Italy. Furthermore, the second half of the year saw the issue of a Senior Preferred bond for the retail customers of the affiliated banks. It was issued under the Italian Prospectus approved by Consob, respectively, for the Registration Document on March 17, 2023 and the Information Document on March 22, 2023. The 5-year bond was placed in the total amount of €150 million by 108 affiliated banks and is also part of the process of meeting MREL requirements.

Capital market funding to meet the liquidity needs of the Banking Group included two issues by Iccrea Banca of covered bonds, the first on July 12, 2023 in the amount of €500 million and the second in the amount on November 8, 2023 in the amount of €500 million. Following both issues, a number of leading investors expressed an interest in reopening the issues, which took place for the first bond on August 9, 2023 in the amount of €150 million and for the second bond on November 30, 2023 in the amount of €100 million. Both of the bonds were placed on the capital market through a placement syndicate established for the first issue by Barclays (as co-arranger of the Program together with Iccrea Banca), LBBW, Natixis, NORD/LB and Unicredit and for the second issue by Barclays (as co-arranger of the Program together with Iccrea Banca), ABN Amro, Citi, Commerzbank (B&D) and Unicredit (Helaba acted as co-manager). However, the placement of the first reopening was carried out through ABN Amro while the second was handled by Intesa Sanpaolo.

At December 31, 2023 the value of outstanding Iccrea Banca bonds totaled €5.04 billion, with a weighted average residual maturity of 4.15 years.

Other structural funding operations included the following financing disbursed in the second half of the year:

- the second and final tranche of €150 million of a long-term loan totaling €250 million granted by Cassa Depositi e Prestiti in the first half of 2022. The operation is intended to support access to credit for smaller Italian companies, increase sustainable investments and generate a positive impact on the environment by guaranteeing new long-term lending to SMEs and Mid-Caps committed to making investments in sectors such as the renewable generation, energy efficiency, the circular economy, sustainable mobility and the modernization of water networks;
- medium/long-term financing finalized with the EIB in December 2022 in the amount of €37.5 million. The funds must be used to support initiatives promoted by SMEs and Mid-Caps with the grant of medium/long-term financing in the territory of Emilia Romagna.

With regard to Italian government securities, within market making operations on the Vorvel platform, 2023 saw the listing of 136 securities with a total volume handled of about €5 billion, an increase of 202% on the previous year. Trading continued on the MOT market of Borsa Italiana, with an increase of 13% in volumes compared with the previous year (totaling €7.3 billion). Trading on the MTS, BondVision and Bloomberg platforms reserved for institutional investors came to €37.2 billion. As part of market making operations for eurobonds, 345 eurobonds were listed on the Vorvel market, 281 eurobonds on the EuroTLX market and 121 eurobonds on ExtraMOT and MOT. Total volumes traded on these markets came to about €1.2 billion.

Execution activities on national and foreign financial markets on behalf of the affiliated banks in 2023 were characterized by a net increase in overall volumes (+30.6%) compared with the previous year. With a total transacted value of €20.7 billion, the Italian equity sector recorded a volume of €4.2 billion. Foreign equities recorded volumes of €502 million, a decrease of 27% compared with 2022. The reduction essentially reflected the strategic choices of customers, who have repositioned themselves towards the domestic market. Operations in the bond segment posted a transacted volume of €10.2 billion, an increase of 13% on 2022. The increase is mainly attributable to the rise in bond yields, continuing the rise that began in the final part of 2022 following the change in the ECB's monetary policy stance. In addition, financial instruments totaling €5.7 billion were placed, of which some €5.3 billion in Italian government securities.

In its operations in OTC derivatives, Iccrea Banca transacted a total nominal amount of about €10.5 billion, a decrease of about 22% on the previous year.

The mutual banks belonging to the Group carried out transactions to hedge the interest rate risk of their mortgage portfolios in the nominal amount of about €463 million, a significant decrease compared with the volumes recorded in 2022.

In managing their securities portfolio, the mutual banks transacted interest rate and inflation risk hedges in the notional amount of around €700 million and cash flow hedges on CCTs in the notional amount of €265 million. During the year, a number of mutual banks conducted unwinding operations (the early termination of outstanding swaps) hedging the interest rate risk on fixed-rate mortgage portfolios or securities positions, thereby posting gains from the positive mark-to-market of those positions, with a nominal value of about €1 billion.

As regards transactions in derivatives with BCC Leasing, new and unwinding transactions were closed with a total notional amount of about €206 million, in line with the previous year.

With regards to transactions on the financial portfolio of the Parent Company to manage and mitigate financial risks, hedging transactions involved new interest rate and/or inflation derivatives and unwinding transactions with a total notional amount of about €4.79 billion, a significant increase compared with the previous year.

With regard to transactions on the Parent Company's financial portfolio manage and mitigate financial risks, new hedging and unwinding transactions were conducted with a total notional amount of about €4.8 billion. At December 31, 2023, the size of the financial portfolio on the Parent Company's banking book was about €11.27 billion, an increase of 20.66% compared with 2022. The portfolio is diversified as follows: €9.95 billion (88.4% of the total) is represented by Italian sovereign bonds; €0.75 billion (6.72% of the total) by "financial" bonds; €0.36 billion (2.72% of the total) by European sovereign bonds; €0.18 billion (1.64% of the total) by supranational bonds; €0.05 billion by corporate bonds (0.42% of the total); and the remainder is invested in equities and funds. Overall, the financial portfolio consists of 70% variable-rate items, 3% inflation-linked items and 27% fixed-rate items (with an average duration of 2.8 years).

The HTC business model covers 91.4% of the financial portfolio, whose securities have an average residual duration of 6.53 years, classified on the basis of the fair value policy as 98.03% L1, 1.0% L2 and 0.97% L3. At December 31, the remaining 8.6% of the financial portfolio allocated to the HTCS category included securities with an average residual maturity of 3.73 years, classified, again on the basis of the fair value policy in force, as 96.8% L1 and 3.2% L2.

The financial portfolio also gradually accumulated a position in ESG financial instruments, which at December 31 amounted to about €0.35 billion or 3.12% of the overall total of the portfolio under management.

In 2023, the bond trading portfolio registered flows (cash, listed derivatives and OTC positions) totaling €6.5 billion, with an average daily VAR of €246 thousand. The activity was almost entirely accounted for by Italy (44.83%), Germany (23.77%), the United States (19.27%), Spain (0.41%), France (1.36%), Portugal (1.15%) and supranational issues (5.24%;). Compared with 2022, these operations experienced a contraction of 72%.

In equities segment, in 2023 the value of securities traded reached €51 million, while the value of transactions in listed derivatives was equal to €794 million, with an average daily VAR of €90 thousand. Trading volumes recorded an increase of 0.13% compared with 2022.

The trading portfolio in OTC derivatives on interest rates and inflation rates saw transactions in contracts with a total notional amount of about €470 million, with an average daily VAR of about €167 thousand.

### Payment systems

In 2023, the European authorities imparted a further regulatory nudge the evolution of the payments market with the adoption of the "Payments Package", which seeks to promote innovation, competition, security and transparency in the electronic payments sector. The Payments Package includes a revision of the Payment Services Directive (PSD3) and the proposed Payment Services Regulation (PSR), as well as the new Instant Payments Regulation, which is slated for publication in early 2024, which introduce new services, security requirements, pricing rules, infrastructure access rules and new open banking and open finance features.

Against the background of these developments, Iccrea Banca continued its efforts in the management, analysis and development of payment solutions for the Group banks to help them ensure compliance with the evolving national and international regulatory context and expand initiatives to facilitate the acceleration of the digitalization of payment services.

Last year registered higher transaction volumes than in 2022 (+10% in transactions handled), with the most growth coming in the first half of the year, 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 2023 included:

- the migration in March of Target 2 and Swift operations to the new technical rules defined by the ECB (T2 Consolidation) and Swift (CBPR +);
- the completion of the PagoPA direct connection project for the rationalization of costs and the development of new functions;

- participation in the Bank of Italy working group on the crisis at cash management companies for the implementation of efficiency enhancement solutions for the sector, agreed by all the players involved;
- the start of analyses for the compliance projects for SEPA instantaneous credit transfers, request-to-pay projects in the ECB's PagoPA area and Euro Digital projects.

As part of its involvement in institutional and interbank discussions, Iccrea Banca participates in the main national working groups active under the aegis of ABI, the Bank of Italy, CBI, EBA, CIPA, PagoPA, ANORC and AGID, as well as in the European banking industry association responsible for managing SEPA schemes (European Payments Council).

### BCC SISTEMI INFORMATICI S.P.A.

In 2023, the information technology segment of the Group confirmed its engagement in projects: (i) to ensure compliance with operational and legislative developments; (ii) involving the evolution of system architecture, functionality, digitalization and innovation (e.g. digital banking and the customer relationship); (iii) related to the management of core processes; and (iv) regarding the management of bank merger processes.

## RETAIL BUSINESS AREA

| €/thousands | RETAIL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BCC | | BCC CreditoConsumo | | BCC R&P | | Banca Sviluppo | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Cash and cash equivalents | 8,755,449 | 4,803,977 | 18,054 | 136,524 | 51,651 | 25,933 | 19,198 | 8,738 |
| Financial assets measured at fair value through profit or loss | 1,186,848 | 1,387,519 | - | - | 10,249 | 6,015 | 98 | 139 |
| Financial assets measured at fair value through other comprehensive income | 7,917,319 | 8,641,697 | - | - | 3 | 3 | 639 | 594 |
| Financial assets measured at amortized cost | 129,756,365 | 138,590,069 | 1,432,021 | 1,124,232 | 49,837 | 41,077 | 106,288 | 165,753 |
| a) due from banks | 8,935,514 | 9,417,514 | 42 | 5 | 299 | 43 | 2,272 | 34,484 |
| b) loans to customers | 79,668,263 | 80,029,968 | 1,431,979 | 1,124,227 | 49,538 | 41,034 | 57,064 | 76,752 |
| c) securities | 41,152,588 | 49,142,586 | - | - | - | - | 46,952 | 54,517 |
| Hedging derivatives and value adjustments of macro-hedged financial assets | 171,241 | 439,618 | - | - | - | - | - | - |
| Equity investments | 30,770 | 35,780 | - | - | - | - | - | - |
| Property, plant and equipment | 1,828,199 | 1,891,362 | 16 | 32 | 3,974 | 4,144 | 28,602 | 28,780 |
| Intangible assets | 10,460 | 13,989 | 631 | 1,117 | 6,399 | 4,210 | - | 672 |
| Tax assets | 1,070,534 | 1,388,628 | 4,820 | 6,345 | 802 | 1,229 | 41,034 | 42,536 |
| Non-current assets and disposal groups held for sale | 13,300 | 150,946 | - | - | - | - | - | - |
| Other assets | 4,904,590 | 4,755,745 | 117,034 | 122,806 | 36,367 | 39,480 | 16,166 | 25,898 |
| **Total assets** | **155,645,075** | **162,099,329** | **1,572,577** | **1,391,056** | **159,282** | **122,090** | **212,024** | **273,108** |

| €/thousands | RETAIL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BCC | | BCC CreditoConsumo | | BCC R&P | | Banca Sviluppo | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Financial liabilities measured at amortized cost | 140,237,723 | 147,024,940 | 1,406,688 | 1,247,249 | 90,746 | 37,432 | 65,236 | 133,547 |
| a) due to banks | 23,536,175 | 29,414,181 | 1,406,060 | 1,234,600 | 90,671 | 37,375 | 62,715 | 26,417 |
| b) due to customers | 107,355,522 | 110,439,409 | 628 | 12,648 | 75 | 57 | 24 | 104,735 |
| c) securities issued | 9,346,026 | 7,171,350 | - | - | - | - | 2,497 | 2,395 |
| Financial liabilities held for trading | 110 | 339 | - | - | - | - | - | - |
| Financial liabilities designated as at fair value | - | - | - | - | - | - | - | - |
| Hedging derivatives and value adjustments of macro-hedged financial liabilities | 161,954 | 185,381 | - | - | - | - | - | - |
| Tax liabilities | 46,291 | 67,537 | 491 | 419 | 20 | - | 27 | 425 |
| Liabilities associated with disposal groups held for sale | - | 247,896 | - | - | - | - | - | - |
| Other liabilities | 1,504,427 | 2,640,449 | 37,237 | 34,188 | 24,572 | 19,808 | 22,560 | 11,546 |
| Post-employment benefits | 193,919 | 203,096 | 252 | 211 | 239 | 227 | 44 | 87 |
| Provisions for risks and charges | 486,817 | 443,200 | 190 | 172 | 752 | 1,389 | 5,264 | 5,716 |
| Equity | 11,376,060 | 10,030,450 | 90,585 | 82,314 | 25,913 | 46,553 | 121,812 | 125,368 |
| Profit/(loss) for the period (+/-) | 1,637,773 | 1,256,041 | 37,134 | 26,503 | 17,039 | 16,680 | (2,919) | (3,580) |
| **Total liabilities and equity** | **155,645,075** | **162,099,329** | **1,572,577** | **1,391,056** | **159,282** | **122,090** | **212,024** | **273,108** |

| €/thousands | RETAIL | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BCC | | BCC CreditoConsumo | | BCC R&P | | Banca Sviluppo | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Net interest income | 3,770,747 | 3,294,448 | 62,767 | 54,288 | 2,530 | 275 | 225 | 1,041 |
| Net fee and commission income | 1,250,581 | 1,231,030 | 10,378 | 8,919 | 54,981 | 49,856 | (52) | 190 |
| Dividends | 12,501 | 11,309 | - | - | 11 | 11 | - | 133 |
| Net gain/(loss) on trading activities | 20,884 | 12,376 | - | - | - | - | 1 | 1 |
| Net gain/(loss) on hedging | (970) | (1,874) | - | - | - | - | - | - |
| Net gain/(loss) on disposals or repurchases | 26,326 | 28,277 | 301 | (2,489) | - | - | 447 | (27) |
| Net gain/(loss) on assets and liabilities at FVTPL | (4,235) | (36,890) | - | - | 226 | (263) | (49) | (42) |
| **Gross income** | **5,075,834** | **4,538,676** | **73,446** | **60,718** | **57,748** | **49,880** | **572** | **1,296** |
| Net writedowns/writebacks for credit risk | (408,907) | (515,681) | 693 | (1,509) | - | - | (351) | (2,076) |
| **Net gains/(losses) from financial operations** | **4,666,927** | **4,022,995** | **74,139** | **59,208** | **57,748** | **49,880** | **220** | **(780)** |
| Administrative expenses | (2,799,883) | (2,721,935) | (21,993) | (21,579) | (33,170) | (27,181) | (4,193) | (5,051) |
| *a) personnel expenses* | (1,542,139) | (1,475,169) | (5,468) | (5,143) | (6,143) | (5,515) | (1,173) | (1,680) |
| *b) other administrative expenses* | (1,257,744) | (1,246,766) | (16,525) | (16,436) | (27,028) | (21,665) | (3,020) | (3,371) |
| Depreciation, amortization and provisions | (227,588) | (198,241) | (605) | (579) | (2,034) | 369 | (426) | 116 |
| Other operating expenses/income | 286,230 | 344,215 | 3,528 | 2,256 | 2,096 | 752 | 1,640 | 1,316 |
| **Operating expenses** | **(2,741,241)** | **(2,575,961)** | **(19,070)** | **(19,902)** | **(33,108)** | **(26,060)** | **(2,979)** | **(3,620)** |
| Profit/(loss) from equity investments | (5,020) | - | - | - | - | - | - | - |
| Profit/(loss) from disposal of investments | (1,217) | (1,851) | - | - | - | - | - | - |
| Net gain/(loss) from FV measurement of property, plant and equipment and intangible assets | - | - | - | - | - | - | - | - |
| Impairment of goodwill | (300) | (1,523) | - | - | - | - | (671) | - |
| **Profit/(loss) before tax on continuing operations** | **1,919,149** | **1,443,660** | **55,069** | **39,306** | **24,640** | **23,819** | **(3,430)** | **(4,400)** |
| Income tax expense from continuing operations | (281,376) | (187,639) | (17,935) | (12,804) | (7,601) | (7,139) | 511 | 820 |
| Profit/(loss) on discontinued operations after tax | - | 20 | - | - | - | - | - | - |
| **Profit/(loss) for the period** | **1,637,773** | **1,256,041** | **37,134** | **26,503** | **17,039** | **16,680** | **(2,919)** | **(3,580)** |

## AFFILIATED BANKS

The segment includes the affiliated mutual banks that represent the largest portion of the Group's consolidated assets. As fully explained above, the affiliated mutual banks traditionally work to promote the development of local communities and the local economy. The principle of mutualism, which is a distinctive characteristic of mutual banking, enables the banks to play a key role in the panorama of the national banking industry and makes them an important partner for households and small and medium-sized enterprises (SMEs).

For this segment, we provide below a description of the customer base and of the business model generally.

### Balance sheet

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 116 mutual banks belonging to the Iccrea Cooperative Banking Group as at December 31, 2023, presented in aggregate form and gross of intercompany items.

Total assets at December 31, 2023 amounted to €155.6 billion, a decrease of €6.5 billion compared with December 31, 2022.

Financial assets measured at amortized cost decreased by €8.8 billion to €129.8 billion and consist of:

- loans to customers totaling €79.7 billion (-€0.4 billion compared with the end of 2022), mainly represented by mortgage loans to customers (€66.5 billion), current accounts (€6.3 billion), other financing (€5.8 billion) and transactions involving credit cards, personal loans and loans repaid by automatic deductions from wages (€1 billion);
- amounts due from banks of €8.9 billion, an increase of €0.5 billion compared with 2022. The item consists of time deposits of (€8.1 billion) and other financing (€0.8 billion);
- debt securities amounting to about €41.2 billion, represented by about €40 billion in securities with customers, down about €8 billion, and securities issued by banks in the amount of €1.2 billion (+€0.2 billion on the end of December 2022).

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 (44.4% and 40.6% of total lending, respectively).

The aggregate NPL ratio stood at 3.8%, while the coverage ratio for impaired loans was 72.3% (66.7% at December 31, 2022).

| Counterparties | Ratio to total loans and advances | Ratio to total loans by counterparty | | Percentage of total performing loans of the affiliated banks | | Coverage |
|---|---|---|---|---|---|---|
| | | Ratio to total loans by counterparty | Percentage of total performing loans of the affiliated banks | Ratio to total loans by counterparty | Ratio to total NPLs of the affiliated banks | NPL |
| Ordinary customers | 97.7% | 96.1% | 97.6% | 3.9% | 99.7% | 72.4% |
| Consumer households | 44.4% | 97.6% | 45.1% | 2.4% | 28.4% | 66.7% |
| Small and medium-sized enterprises | 40.6% | 95.5% | 40.3% | 4.5% | 48.0% | 71.6% |
| *Producer households* | 7.4% | 94.3% | 7.3% | 5.7% | 11.1% | 67.1% |
| *Micro-enterprises, institutions and associations* | 7.8% | 94.6% | 7.7% | 5.4% | 10.9% | 73.1% |
| *Other SMEs* | 25.4% | 96.1% | 25.3% | 3.9% | 26.1% | 72.9% |
| Large corporate | 12.6% | 92.9% | 12.2% | 7.1% | 23.3% | 80.8% |
| Government entities | 1.1% | 99.8% | 1.1% | 0.2% | 0.0% | 49.6% |
| Central banks, credit institutions and other financial companies | 1.2% | 99.3% | 1.3% | 0.7% | 0.2% | 67.2% |
| **Total** | **100.0%** | **96.2%** | **100.0%** | **3.8%** | **100.0%** | **72.3%** |

Financial investments totaled about €47.4 billion[19] and consist almost entirely of government securities (especially those issued by the Italian State). Of these, 87% are allocated to the portfolio measured at amortized cost (Hold-to-Collect, HTC, business model) 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, down €0.7 billion on 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 €13 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 (€1.7 billion) and other capital equipment - while intangible assets amounted to just about €10.5 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 €140.2 billion. More specifically:

- amounts due to customers decreased by €3 billion compared with the end of 2022 to €107.4 billion, represented mainly by current accounts and demand deposits (€100.7 billion), fixed-term deposits (€5.1 billion) and other financing (€1.5 billion);
- amounts due to banks came to €23.5 billion, mainly attributable to loans obtained through TLTRO operations and refinancing transactions with the Parent Company. The decrease of €5.9 billion is attributable to deleveraging initiatives undertaken in 2023 (partial repayment of TLTRO funding);
- securities issued came to €9.3 billion, an increase of €2.2 billion due to the issue of new certificates of deposit. Of the total, €3.5 billion are represented by bonds and €5.8 billion by certificates of deposit.

The aggregate equity of the mutual banks amounted to €12 billion, an increase of €1.7 billion on the end of 2022, and consists of €1 billion of share capital, with the rest made up of reserves.

## Income statement

On aggregate, the mutual banks closed 2023 with a profit of €1.6 billion, up €382 million on the same period of the previous year.

More specifically, gross income increased by €537.2 million, to over €5 billion, as a result of:

- an increase in net interest income (+€476.3 million), due in large part to the increase in interest income on loans to customers (+€1.5 billion) and a decrease in negative differences on hedging derivatives (+€300 million), partly offset by a rise in interest expense on funding from customers (-€437 million) and banks (-€800 million) and on liabilities issued (-€85 million);
- an increase of €19.5 million in net fee and commission income;
- a decrease of €2 million in gains on disposal.

In 2023, writedowns for credit risk were amounted to €408.9 million, a slight decrease compared with the previous year, reflecting the evolution of models for measuring credit risk parameters for performing positions and the robust monitoring of non-performing positions implemented by the Group since its establishment.

Operating expenses amounted to around €2.7 billion, a slight increase on 2022, partly reflecting an increase in personnel expenses connected primarily with the renewal of the national collective bargaining agreement in 2022.

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

## BCC CREDITOCONSUMO S.P.A.

The company distributes 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 €1.4 billion 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 December 31, 2023, by credit quality, including an indication of associated loan loss allowance and the coverage percentage.

| €/thousands | Gross exposure | Writedowns | Net exposure | % coverage |
|---|---|---|---|---|
| **Performing exposures** | **1,450,915** | **24,566** | **1,426,349** | **1.7%** |
| Impaired past due | 9,822 | 5,619 | 4,203 | 57.2% |
| Unlikely to pay | 9,041 | 8,102 | 939 | 89.6% |
| Bad loans | 16,239 | 15,832 | 407 | 97.5% |
| **Non-performing exposures** | **35,102** | **29,553** | **5,549** | **84.2%** |
| **Total** | **1,486,017** | **54,119** | **1,431,898** | **3.6%** |

### Income statement

The company closed 2023 with net profit of €37.1 million (€26.5 million in 2022).

Revenues are represented by interest and similar income in the amount of €76.8 million, fee and commission income from the placement of third-party “salary-backed loan” products in the amount of €24.2 million, gains on the assignment of NPLs of €0.3 million, writebacks of loan-loss provisions of €0.7 million and other operating income/expenses amounting to €3.5 million.

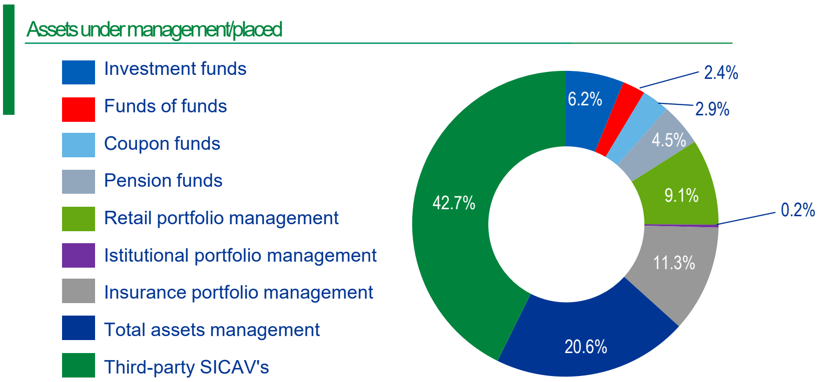
Costs include €14 million in interest expense on current accounts and loans, €13.9 million in fees and commissions payable to participating mutual banks, €5.5 million in personnel expenses, €16.5 million in other administrative expenses and €0.6 million in depreciation/amortization and other costs.

Income taxes for the year at December 31, 2023 totaled €17.9 million.

## BCC RISPARMIO&PREVIDENZA SGRPA

At December 31, 2023, total assets managed or placed by BCC Risparmio & Previdenza amounted to €23.8 billion, an increase of €2.8 billion compared with the end of 2022, the result of an increase in net funding of €1.2 billion and positive market developments that produced a gain of €1.6 billion.

The chart below shows the weight of each investment product out of total assets under management as at December 31, 2023.




### Assets under management

Net funding from investment funds and funds of funds was a positive €200.2 million. Total assets under management at year end came to €2.6 billion. The number of supplementary pension contracts rose to 209,537, an increase of 8.3% on the end of 2022 (when the number of contracts was 193,449). The coupon fund segment also recorded positive net funding, closing the period with €880 million in assets under management, an increase of €78 million thanks to the placement of the Fondo Investiper Cedola Dicembre 207 Sostenibile fund.

With regard to supplementary pension funds, the company confirmed the positive trend in annual net funding, which amounted to €140.7 million, bringing assets under management to €1.4 billion. The number of investors in pension funds reached 175,002 (+10.2% compared with the end of 2022).

With regard to retail, institutional and insurance portfolio management, net funding was also positive at a total of €148.5 million (of which €149.5 million in the retail segment, a negative €2.8 million in the insurance segment and €1.8 million in the institutional segment). Total assets under management at year end came to about €6.2 billion. The placement of retail asset management products generated a total of 6,389 new accounts, to reach a total of 53,990 accounts at year end.

### Assets in placement

Total assets placed at the end of the period amounted to €12.8 billion, with net funding of €608.6 million, including the inward migration connected with the internalization of placement agreements with third-party providers.

### Income statement

The year closed with pre-tax profit of €24.6 million (and net profit of about €17 million), an increase of 3.4% or about €0.8 million on the previous year. The increase is attributable to an increase of about €5.1 million in net fee and commission income and a profit on finance operations of about €2.7 million, reflecting the rise in interest rates and the use of tax credits acquired by the Parent Company. Those increases more than offset the increase in operating expenses (€33.1 million, an increase of 27% compared with the previous year). This reflected an increase in personnel expenses, other administrative expenses and depreciation and amortization (for a total increase of €1.3 million on 2022), accompanied by the effect of the reversal of the reserve for the guaranteed segment of the pension fund, which in 2023 amounted to €0.4 million, compared with €2.2 million the previous year.

## BANCA SVILUPPO S.P.A.

Consistent with the Strategic Plan, the objective set for the 2023 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.

## CORPORATE BUSINESS AREA

| €/thousands | CORPORATE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BCC Leasing SpA | | BCC Rent&Lease SpA | | BCC Factoring SpA | | BCC Financing SpA | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Cash and cash equivalents | 5,652 | 6,284 | 746 | 74 | 4,955 | 4,102 | 99,285 | 78,156 |
| Financial assets measured at fair value through profit or loss | 79,248 | 113,661 | - | - | - | - | 19,279 | 21,424 |
| Financial assets measured at fair value through other comprehensive income | 283 | 283 | - | - | 11 | 11 | 32,356 | 61,732 |
| Financial assets measured at amortized cost | 3,388,675 | 3,585,681 | 509,266 | 488,268 | 805,590 | 636,721 | 535,174 | 606,974 |
| a) due from banks | 14,266 | 15,121 | 895 | 1,252 | - | 89 | 59,254 | 60,190 |
| b) loans to customers | 3,340,136 | 3,529,575 | 508,371 | 487,016 | 805,590 | 636,631 | 268,228 | 336,618 |
| c) securities | 34,273 | 40,984 | - | - | - | - | 207,692 | 210,166 |
| Hedging derivatives and value adjustments of macro-hedged financial assets | - | - | - | - | - | - | 133 | 890 |
| Equity investments | - | - | - | - | - | - | - | - |
| Property, plant and equipment | 6,162 | 4,808 | 305 | 192 | 4 | 19 | 6,828 | 8,371 |
| Intangible assets | - | - | 223 | 344 | 659 | 878 | 33 | 166 |
| Tax assets | 129,902 | 159,385 | 2,529 | 3,602 | 4,229 | 5,538 | 36,722 | 42,777 |
| Non-current assets and disposal groups held for sale | - | 26,416 | - | - | - | - | - | 2,244 |
| Other assets | 45,363 | 47,986 | 8,698 | 11,015 | 9,693 | 14,137 | 9,340 | 5,907 |
| **Total assets** | **3,655,284** | **3,944,504** | **521,767** | **503,496** | **825,140** | **661,406** | **739,149** | **828,641** |

| €/thousands | CORPORATE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BCC Leasing SpA | | BCC Rent&Lease SpA | | BCC Factoring SpA | | BCC Financing SpA | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Financial liabilities measured at amortized cost | 3,027,620 | 3,309,182 | 458,763 | 430,498 | 762,404 | 618,248 | 595,188 | 707,030 |
| a) due to banks | 3,001,815 | 3,276,107 | 454,895 | 425,165 | 754,135 | 612,989 | 291,183 | 337,358 |
| b) due to customers | 25,805 | 33,075 | 3,868 | 5,332 | 8,268 | 5,259 | 299,518 | 364,837 |
| c) securities issued | - | - | - | - | - | - | 4,488 | 4,835 |
| Financial liabilities held for trading | 55,574 | 91,715 | - | - | - | - | - | - |
| Financial liabilities designated as at fair value | - | - | - | - | - | - | - | - |
| Hedging derivatives and value adjustments of macro-hedged financial liabilities | - | - | - | - | - | - | 281 | - |
| Tax liabilities | - | - | - | 116 | 74 | 82 | 75 | 75 |
| Liabilities associated with assets held for sale | - | - | - | - | - | - | - | - |
| Other liabilities | 65,886 | 81,016 | 19,273 | 19,804 | 38,620 | 22,038 | 16,899 | 16,577 |
| Post-employment benefits | 1,106 | 1,136 | 88 | 119 | 356 | 296 | 213 | 205 |
| Provisions for risks and charges | 28,732 | 30,665 | 252 | 318 | 1,089 | 993 | 7,799 | 12,082 |
| Equity | 430,783 | 392,690 | 32,921 | 41,510 | 19,744 | 18,252 | 113,612 | 90,681 |
| Profit/(loss) for the period (+/-) | 45,583 | 38,100 | 10,470 | 11,131 | 2,853 | 1,499 | 5,084 | 1,990 |
| **Total liabilities** | **3,655,284** | **3,944,504** | **521,767** | **503,496** | **825,140** | **661,406** | **739,149** | **828,641** |

| €/thousands | CORPORATE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | BCC Leasing SpA | | BCC Rent&Lease SpA | | BCC Factoring SpA | | BCC Financing SpA | |
| | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 | 31/12/2023 | 31/12/2022 |
| Net interest income | 75,440 | 82,960 | 23,244 | 24,258 | 8,953 | 5,307 | 7,161 | 17,509 |
| Net fee and commission income | 1,671 | 1,138 | (546) | (337) | 4,046 | 3,771 | 5,481 | 5,696 |
| Dividends | - | - | - | - | - | - | - | - |
| Net gain/(loss) on trading activities | 527 | 3,438 | - | - | 13 | 7 | (54) | 80 |
| Net gain/(loss) on hedging | - | - | - | - | - | - | 128 | (119) |
| Net gain/(loss) on disposals or repurchases | 349 | (4,595) | - | - | - | - | 267 | 1,124 |
| Net gain/(loss) on financial assets and liabilities at FVTPL | 3,251 | 267 | - | - | - | - | (1,034) | (3,464) |
| **Gross income** | **81,239** | **83,209** | **22,698** | **23,921** | **13,013** | **9,085** | **11,949** | **20,825** |
| Net writedowns/writebacks for credit risk | 23,865 | 12,689 | (1,637) | (3,255) | (276) | 652 | 4,967 | 7,882 |
| **Net income/(loss) from financial operations** | **105,103** | **95,897** | **21,061** | **20,666** | **12,737** | **9,737** | **16,916** | **28,707** |
| Administrative expenses | (33,698) | (36,018) | (12,039) | (11,208) | (7,785) | (7,288) | (11,467) | (12,528) |
| a) personnel expenses | (11,142) | (11,103) | (3,303) | (3,156) | (3,790) | (3,627) | (5,206) | (5,774) |
| b) other administrative expenses | (22,557) | (24,915) | (8,736) | (8,053) | (3,995) | (3,661) | (6,261) | (6,754) |
| Depreciation, amortization and provisions | 416 | (1,877) | (46) | (272) | (512) | (314) | 2,323 | (12,204) |
| Other operating expenses/income | (2,520) | (1,447) | 6,576 | 6,322 | 61 | 82 | (731) | (1,826) |
| **Operating expenses** | **(35,802)** | **(39,342)** | **(5,509)** | **(5,158)** | **(8,236)** | **(7,520)** | **(9,874)** | **(26,559)** |
| Profit/(loss) from equity investments | - | - | - | - | - | - | - | - |
| Profit/(loss) from disposal of investments | - | - | - | - | - | - | 79 | (184) |
| Net gain/(loss) from FV measurement of property, plant, equipment and intangible assets | - | - | - | - | - | - | - | - |
| Goodwill impairment | - | - | - | - | - | - | - | - |
| **Profit/(loss) before tax on continuing operations** | **69,302** | **56,555** | **15,552** | **15,508** | **4,501** | **2,217** | **7,121** | **1,964** |
| Income tax expense from continuing operations | (23,718) | (18,455) | (5,082) | (4,377) | (1,648) | (718) | (2,037) | 27 |
| Profit/(loss) after tax on discontinued operations | | - | - | - | - | - | - | - |
| **Net profit/(loss) for the period** | **45,583** | **38,100** | **10,470** | **11,131** | **2,853** | **1,499** | **5,084** | **1,990** |

## BCC LEASING S.P.A.

Company operations are focused exclusively on finance leasing.

### Balance sheet

New lending increased by about 6.8% compared with 2022 and by 13%. New contracts agreed in the period amounted to €727 million, for a total of 2,996 new contracts. The developments reflected the slower growth of the Italian economy in 2023 (0.7%) than that observed in the same period of the previous year (3.9%).

In 2023, the finance lease market (where BCC Leasing competes) excluding equipment leasing up to €50 thousand and auto leasing contracted by about 6.1%,[20] mainly attributable to economic developments in the second half of the year.

Within this dynamic, BCC Leasing has maintained a market share of about 4.6% in volumes terms and 3% in terms of the number of contracts (with particularly positive performance in the equipment lease segment, where the share exceeds 4.9%) in an increasingly competitive environment, characterized by a growing emphasis on price competition. In response, BCC Leasing has launched 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 reduce the cost of risk.

The following table provides a breakdown by type of new output in the period, with equipment leasing representing about 55% of new output.

| Product line | Lease volumes | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2023 | | 31/12/2022 | | % comp 2023 | | Annual change | |
| | Number | Amount | Number | Amount | % Num | % Val | % Num | % Val |
| Light commercial vehicle leasing | 301 | 17,207 | 138 | 8,178 | 10.0% | 2.4% | 118.1% | 110.4% |
| Heavy vehicle leasing | 660 | 99,006 | 594 | 74,044 | 22.0% | 13.6% | 47.8% | 33.7% |
| Equipment | 1,870 | 398,425 | 2,233 | 454,312 | 62.4% | 54.8% | (263%) | (12.3%) |
| Air and nautical | 3 | 1,982 | 5 | 2,283 | 0.1% | 0.3% | (1.4%) | (13.2%) |
| Public | 10 | 50,785 | 8 | 26,621 | 0.3% | 7.0% | 1.4% | 90.8% |
| Property | 152 | 159,189 | 167 | 114,582 | 5.1% | 21.9% | (10.9%) | 38.9% |
| **Total leasing** | **2,996** | **726,594** | **3,145** | **680,020** | **100.0%** | **100.0%** | (108%) | **6.8%** |

Of the bank's lending portfolio, totaling €3.4 billion, 90% is represented by non-financial counterparties.

| | 31/12/2022 | 31/12/2022 | % change |
|---|---|---|---|
| **1. Debt securities** | **34,273** | **40,984** | (16.4%) |
| b) Other financial companies | 34,273 | 40,984 | (16.4%) |
| **2. Financing to** | **3,340,136** | **3,529,575** | (5.4%) |
| a) Government entities | 158,764 | 156,675 | 1.3% |
| b) Other financial companies | 10,666 | 11,663 | (8.5%) |
| of which: insurance undertakings | 579 | 494 | 17.21% |
| c) Non-financial companies | 3,050,459 | 3,220,143 | (5.3%) |
| d) Households | 120,247 | 141,094 | (14.8%) |
| **Total** | **3,374,409** | **3,570,559** | **(5.5%)** |

| | 31/12/2023 | 31/12/2022 | % change |
|---|---|---|---|
| **Financing** | **3,340,136** | **3,529,935** | **(5.4%)** |
| - Lease financing | 3,182,916 | 3,347,621 | (4.9%) |
| - Other financing | 157,221 | 182,314 | (13.8%) |
| **Debt securities** | **34,273** | **40,984** | **(16.4%)** |
| **Total** | **3,374,409** | **3,570,919** | **(5.5%)** |

As regards impaired positions, derisking activities continued throughout 2023, mainly by way of disposals of NPLs as well as raising coverage levels 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.

[20] Based on preliminary Assilea data at December 2023.

The year saw the completion of an assignment denominated Waarde, which in the 2022 financial statements had been classified under non-current assets held for sale with a total value of €0.7 million. In addition, the assignment of a new portfolio of non-performing loans denominated Montes with a GBV of about €88 million was finalized.

At December 31, 2023 the coverage ratio for non-performing loans was 71.54%, a decrease on the 74.4% registered at the end of 2022. The gross NPL ratio was 5.89% (9.06% at December 31, 2022). The following table provides a comparison of the ratios for the non-performing portfolio with the associated benchmark market ratios provided by Assilea:

| | BCC Leasing 31/12/23 | Market* |
|---|---|---|
| Average coverage ratio for NPE portfolio | 71.5% | 58.8% |
| Gross NPE ratio | 5.9% | 7.1% |
| Net NPE ratio | 1.8% | 3.1% |

* Assilea figures at September 2023.

## Income statement

The bank closed 2023 with a profit before tax €69.3 million (€56.6 million in 2022). After taxes, net profit stood at €45.6 million (€38.1 million in 2022).

A breakdown of the main income statement components that contributed to the result for the year shows that interest income amounted to €194 million, an increase of 68% (€115 million in 2022). Against the increase in interest income was a more than proportional increase in interest expense, which rose by over 260% to €118 million, compared with €32.5 million the previous year. Net fee and commission income, which regards other fees and commissions not attributable to specific financing and funding contracts, amounted to €1.7 million, an increase compared with the previous year (€1.1 million in 2022).

Administrative expenses amounted to €34 million, a decrease of about €2.3 million, mainly due to the decrease in “other administrative expenses”, which went from €24.9 million in 2022 to €22.5 million in 2023.

Other financial assets mandatorily measured at fair value amounted to €3.2 million and regard the adjustment to market value of fund units.

Net writedowns/writebacks for credit risk show net writebacks of €23.7 million (compared with net writebacks of €14.4 million in 2022). In addition to reflecting the positive impact of the improvement in macroeconomic conditions on the performing portfolio, this result is also attributable to: (i) careful monitoring of credit risk on the performing portfolio, a policy already implemented in previous financial statements; and (ii) the effects of recovery activities on non-performing positions.

Provisions for risks and charges show a writeback of €560 thousand, compared with accruals of €1.2 million last year. Other operating income and expense showed net expenses of €2.4 million, a decrease compared with December 2022 (€4 million).

## BCC RENT&LEASE S.P.A.

The company operates in the small-ticket lease market.

Developments in 2023 showed an increase of 9.4% in new business (20,516 contracts agreed with a total value of €278.1 million, compared with 19,501 and €254.2 million in 2022).

### Balance sheet

| | 2023 | | 2022 | | % change | |
|---|---|---|---|---|---|---|
| | Number | Amount €/thousands | Number | Amount €/thousands | Number | Amount |
| **Equipment vendor** | | | | | | |
| Operating leases | 7,563 | 66,508 | 6,113 | 51,799 | 23.7% | 28.4% |
| Equipment leasing | 4,454 | 75,746 | 5,592 | 94,453 | (20.4%) | (19.8%) |
| Special-purpose financing | 6,607 | 71,357 | 6,297 | 57,938 | 4.9% | 23.2% |
| **Total vendor** | **18,624** | **213,610** | **18,002** | **204,191** | **3.5%** | **4.6%** |
| **Mutual banks** | | | | | | |
| Light commercial vehicle leasing | 998 | 39,042 | 636 | 24,161 | 56.9% | 61.6% |
| Equipment leasing | 683 | 15,456 | 602 | 13,780 | 13.5% | 12.2% |
| Heavy vehicle leasing | 43 | 2,830 | 46 | 2,704 | (6.5%) | 4.7% |
| **Total mutual banks** | **1,724** | **57,328** | **1,284** | **40,646** | **34.3%** | **41.0%** |
| **Other** | | | | | | |
| Light commercial vehicle leasing – Agents | 134 | 5,286 | 156 | 6,365 | (14.1%) | (16.9%) |
| Heavy vehicle leasing – Agents | 34 | 1,868 | 59 | 2,993 | (42.4%) | (37.6%) |
| **Total other** | **168** | **7,155** | **215** | **9,357** | **(21.9%)** | **(23.5%)** |
| **Total** | **20,516** | **278,093** | **19,501** | **254,194** | **5.2%** | **9.4%** |

Net lending came to €506 million, an increase on the end of 2022 (€488 million). In terms of risk profile, the company closed the period with a gross NPL ratio of 3.5% (the net NPL ratio came to 1% thanks to a coverage ratio of 72.3%).

### Income statement

Profit before tax for the period amounted to €15.5 million (in line with 2022). Net profit stood at €10.5 million (€11.1 million in 2022).

More specifically, gross income totaled €22.7 million, a slight decrease on the previous year, reflecting the increase in the average cost of funding, which was not fully offset by an increase in interest income. The cost of risk declined (€1.6 million compared with €3.3 million in the same period of the previous year).

## BCC FACTORING S.P.A.

The year ended December 31, 2023 closed with a net profit of more than €2.8 million (€1.5 million in 2022). The tax liability is equal to €1.6 million.

The net profit outperformed budget expectations, with a clear increase in profitability. The company's turnover has increased steadily in the last 3 years, closing at over €2.5 billion (+11.48% compared with 2022).

### Balance sheet

The year ended with over €812 million in gross lending (+26% on the previous year), of which only 1.51% classified as impaired; excluding past-due positions, the percentage drops to 0.95%.

The company's total assets, almost entirely represented by loans to customers, amounted to €825 million, record for the company.

The sign of the cost of risk turned negative compared with previous years, due to the growth in volumes, although gross impaired positions fell by 13% compared with 2022. The coverage ratio for past-due positions remains at

12.5%, while the coverage ratio for non-performing and unlikely-to-pay positions is close to 100%.

### Income statement

Net interest income grew by 204%: despite the increase in rates, the hedging of medium/long-term transactions is generating profits on purchase transactions. Fee and commission income grew slightly at 5.8%, compared with an increase in turnover of more than 11%. Fee and commission expense showed growth of 2.85% compared with 2022. As a result, gross income rose by 43.2% compared with the previous year.

Administrative expenses rose by 9.1% compared with 2022, with a slight increase in personnel expenses as well. The total operating expenses increased overall by 9.5%, reflecting in part a significant accrual to risk provisions.

## BCC FINANCING S.P.A.

BCC Financing SpA (Banca Mediocredito del Friuli Venezia Giulia SpA until April 5, 2023) 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 2023 totaled €88.9 million.

### Balance sheet

At December 31, 2023, total assets came to €739 million, €287 million of which in loans to customers (a decrease of about €87 million from the end of 2022), about €255 million in financial assets, and the remainder in loans to banks (about €59 million) and tax assets (€37 million).

Net performing loans came to €265 million, a decrease of 20% from the end of 2022. Net impaired exposures also decreased by more than 50% to €3 million (from €6.2 million at December 31, 2022).

As a result, the net NPL ratio came to 1.3%, down from 1.84% the previous year, and the gross ratio amounted to 6.5% (7.9% at the end of 2022).

Direct funding from customers came to €170 million, an increase of 3.6% from the end of 2022.

### Income statement

At December 31, 2023, the income statement reported a profit before tax of €7.1 million (€1.96 million at December 31, 2022) and a net profit of €5.1 million.

Gross income came to €11.9 million, a decrease of €8.9 million. This reflected an increase in interest expense, mainly due to the sharp increase in the cost of funding, which reduced the positive contribution of interest income, which was broadly unchanged.

Net writebacks for credit risk totaled €5.5 million.

Operating expenses decreased sharply (-60%) due to a contraction in administrative expenses, a decline in other operating expenses (which in 2022 had included one-off charges related to the IT migration), the reversal of provisions on commitments and guarantees issued and a decrease in adjustments to non-current assets.

## 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 December 31, 2023. 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 | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Cash and cash equivalents | 4,759,314 | 960,917 | 3,798,397 | 395.3 |
| Financial assets measured at amortized cost – *Due from banks – Loans and securities* | 30,806,297 | 35,653,688 | (4,847,391) | (13.6) |
| Financial assets measured at amortized cost –*Due from customers – Loans* | 7,558,420 | 7,084,693 | 473,727 | 6.7 |
| Financial assets measured at amortized cost – *Due from customers – Securities* | 10,138,191 | 8,340,562 | 1,797,629 | 21.6 |
| Financial assets measured at fair value through profit or loss | 1,977,687 | 2,521,624 | (543,937) | (21.6) |
| Financial assets measured at fair value through other comprehensive income | 1,224,308 | 1,079,476 | 144,831 | 13.4 |
| Hedging derivatives | 163,309 | 570,702 | (407,393) | (71.4) |
| Equity investments | 1,514,823 | 1,568,623 | (53,800) | (3.4) |
| Other assets | 835,607 | 642,509 | 193,098 | 30.1 |
| **Total interest-bearing assets** | **58,977,956** | **58,422,794** | **555,161** | **1.0** |
| Other non-interest-bearing assets | 141,263 | 69,014 | 72,249 | 104.7 |
| **Total assets** | **59,119,218** | **58,491,808** | **627,410** | **1.1** |

At December 31, 2023 total assets amounted to about €59.1 billion, an increase from €58.5 billion at the end of December 2022, mainly reflecting the following developments:

- an increase of €3.8 billion in cash and cash equivalents, mainly reflecting overnight deposits with the ECB;
- a decrease of €2.6 billion in loans measured at amortized cost compared with the end of 2022, resulting from:
  - the decrease in amounts due from banks (-€4.8 billion), primarily reflecting the combined impact of: i) a contraction in lending connected with TLTRO operations with the mutual banks (-€9.3 billion). A similar development is recorded for "Financial liabilities measured at amortized cost"; and ii) an increase in lending to mutual banks (+€1.4 billion) granted against collateral in the form of refinanceable securities (pool collateral); covered bonds and activation of liquidity support under the Guarantee Scheme in the total amount of +€1.4 billion, reserve requirements (+€1.4 billion). An increase in the debt securities (+€0.9 billion) issued 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 (+€2.3 billion) essentially attributable to an increase in investments in debt securities (+€1.8 billion, almost exclusively Italian government securities), medium/long-term lending, mainly to companies within the direct scope (+€0.3 billion);
  - a decrease of €0.5 billion in financial assets measured at FVTPL to €2.0 billion, reflecting the net impact of: i) a decrease in the value of trading derivatives (-€0.7 billion, a similar development is recorded under trading derivatives in liabilities); ii) an increase (+€67.6 million) in assets originally designated as at fair value, represented by the assets in the Guarantee Scheme, as a result of an increase in investments during the period; iii) a decrease in other financial assets mandatorily measured at fair value (-€32.0 million), mainly reflecting subscriptions and redemptions in the period and a decrease in the value of units in CIUs (-€9.1 million) and debt securities (-€43.6 million) partly offset by purchases of equity securities (+€20.7 million);

| €/thousands | Financial assets held for trading | Financial assets designated as at FV | Other financial assets mandatorily measured at FV | Total |
|---|---|---|---|---|
| Debt securities | 75,030 | 338,401 | 19,577 | 433,007 |
| Equity securities | 1,605 | - | 61,114 | 62,719 |
| Units of CIUs | 10,080 | - | 393,938 | 404,018 |
| Derivatives | 1,077,943 | - | - | 1,077,943 |
| **Total 31/12/2023** | **1,164,658** | **338,401** | **474,629** | **1,977,687** |
| **Total 31/12/2022** | **1,744,131** | **270,820** | **506,673** | **2,521,624** |
| **Change** | **(579,473)** | **67,580** | **(32,044)** | **(543,937)** |

- an increase of €144.8 million in financial assets measured at fair value through other comprehensive income, which are held under the HTCS business model, mainly reflecting a shift in debt securities between "government" issues (-€61.6 million) and "bank" (+€189.6 million);
- a decrease of €53.8 million in equity investments, mainly due to: *i)* a reduction in equity carried out by BCC Servizi Assicurativi Srl (-€258.9 million); *ii)* a decrease in the value of the equity investment held in BCC Sinergia SpA (-€52.0 million) following the "Lucrezia Romana real estate spinoff" as described in more detail in the section below; *iii)* a decrease in the value of the equity investment in Pay Holding SpA (-€3.0 million) reflecting the distribution of reserves to shareholders; *iv)* the acquisition of the remaining 70% share capital of BCC Vita SpA and BCC Assicurazioni SpA (+€174.9 and +€13.9 million, respectively, in respect of the reorganization of the bancassurance segment of the Group as described in more detail in the following section; *v)* the acquisition of all of the share capital of BCC Rent&Lease SpA (+€25.7 million, previously held by BCC Leasing S.p.A); *vi)* the subscription of a future capital increase in BCC Financing SpA and BCC Credito Consumo SpA (+€20.0 and +€25.0 million, respectively); *vii)* the subscription of shares pursuant to Art. 150-ter of the Consolidated Banking Act - as manager of the Guarantee Scheme – in Banca Centropadana (+€2.5 million), offset by the repayment (authorized by the ECB) carried out by Banca TEMA (-€2.0 million).

The following table provides a breakdown of amounts due from banks, largely represented by loans to the mutual banks (about €24.5 billion), a reduction (-€5.8 billion) on the end of 2022. These loans, secured by securities eligible for refinancing (pool collateral), include about €14.4 billion in operations with the ECB (TLTRO) and about €6.3 billion in other forms of collateralized financing.

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Mutual banks | 24,490,718 | 30,305,595 | (5,814,877) | (19.2) |
| Other credit institutions | 6,315,579 | 5,348,093 | 967,486 | 18.1 |
| **Due from banks** | **30,806,297** | **35,653,688** | **(4,847,391)** | **(13.6)** |

Amounts due from other credit institutions include €3.3 billion in intercompany lending (of which about €3.0 billion to BCC Leasing) with the remainder comprising deposits with third parties.

Loans to ordinary customers amounted to €7.6 billion, an increase on the €7.1 billion posted at the end of December 2022. Of the total, €2.7 billion regard intercompany loans. The change in the item is largely attributable to an increase in lending to companies in the direct scope.

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Current accounts | 398,307 | 191,375 | 206,932 | 108.1 |
| Medium/long-term loans | 2,692,419 | 2,729,605 | (37,186) | (1.4) |
| Repurchase transactions | 793,621 | 728,304 | 65,317 | 9.0 |
| Other transactions | 3,621,336 | 3,392,525 | 228,812 | 6.7 |
| Impaired assets | 52,736 | 42,884 | 9,852 | 23.0 |
| **Loans to customers** | **7,558,420** | **7,084,693** | **473,727** | **6.7** |

The following table provides a breakdown of impaired positions.

| €/thousands | Gross exposure | Impairment losses | Net exposure | % coverage |
|---|---|---|---|---|
| Bad loans | 20,131 | (18,085) | 2,046 | 89.8 |
| Unlikely to pay | 158,229 | (107,659) | 50,570 | 68.0 |
| Impaired past-due | 170 | (51) | 119 | 29.9 |
| **Total 31/12/2023** | **178,531** | **(125,795)** | **52,736** | **70.5** |
| **Total 31/12/2022** | **177,236** | **(134,352)** | **42,884** | **75.8** |
| **Change** | **1,295** | **8,557** | **9,852** | **(5.3)** |

## Liabilities

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Financial liabilities measured at amortized cost – *Due to banks* | 34,677,583 | 41,593,508 | (6,915,925) | (16.6) |
| Financial liabilities measured at amortized cost – *Due to customers* | 14,926,307 | 8,663,966 | 6,262,341 | 72.3 |
| Financial liabilities measured at amortized cost – *Securities issued* | 5,196,867 | 3,425,452 | 1,771,414 | 51.7 |
| Financial liabilities held for trading | 1,048,214 | 1,729,244 | (681,030) | (39.4) |
| Financial liabilities designated as at fair value | 387,148 | 352,484 | 34,664 | 9.8 |
| Hedging derivatives | 88,523 | 165,494 | (76,971) | (46.5) |
| Other liabilities | 377,668 | 403,602 | (25,934) | (6.4) |
| **Total interest-bearing liabilities** | **56,702,309** | **56,333,749** | **368,560** | **0.7** |
| Other non-interest-bearing liabilities | 187,810 | 56,099 | 131,711 | 234.8 |
| Shareholders' equity | 2,141,180 | 1,662,166 | 479,013 | 28.8 |
| Profit for the period | 87,920 | 439,793 | (351,874) | (80.0) |
| **Total liabilities** | **59,119,218** | **58,491,808** | **627,410** | **1.1** |

The increase in liabilities compared with the end of 2022 is mainly attributable to the increase of €0.4 billion in interest-bearing funding, which was the net effect of the following developments:

- a decrease in amounts due to banks (-€6.9 billion) to about €34.7 billion, due to the combined effect of the decrease in amounts due to central banks (-€10.1 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 (+€2.4 billion) and repo transactions (+€0.3 billion);
- an increase in amounts due to customers (+€6.3 billion), to €14.9 billion, essentially reflecting an increase in repurchase agreements with the Clearing & Guarantee Fund (+€5.5 billion) and new unsecured transactions with the Ministry for the Economy and Finance (+€1.1 billion);
- an increase in securities issued (+€1.8 billion) due almost entirely to new senior issues to meet MREL requirements for the Group.

Amounts due to banks break down as follows:

- €16.9 billion in positions with the affiliated banks mainly in respect of demand and time deposits (€16.1 billion), of which €1.5 billion in mutual bank deposits to meet the reserve requirement, €1.6 billion in "tiered" deposits and €7.8 billion in amounts held on the daily settlement account;
- €17.8 billion in amounts due to other credit institutions, largely related to financing from the ECB under TLTRO operations (€6.2 billion).

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Mutual banks | 16,920,694 | 13,129,059 | 3,791,635 | 28.9 |
| Other credit institutions | 17,756,888 | 28,464,449 | (10,707,561) | (37.6) |
| **Due to banks** | **34,677,583** | **41,593,508** | **(6,915,925)** | **(16.6)** |

Funding with customers amounted to €14.9 billion, an increase (+€6.3 billion) on December 31, 2022, mainly reflecting an increase in repurchase transactions (+€5.5 billion) and transactions with the Ministry for the Economy and Finance (+€1.1 billion).

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Current accounts and deposits | 932,178 | 1,258,602 | (326,424) | (25.9) |
| Financing | 13,618,668 | 6,975,584 | 6,643,083 | 95.2 |
| Other payables | 375,461 | 429,780 | (54,318) | (12.6) |
| **Due to customers** | **14,926,307** | **8,663,966** | **6,262,341** | **72.3** |

## Equity

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| Capital | 1,401,045 | 1,401,045 | - | - |
| Share premium reserve | 6,081 | 6,081 | - | - |
| Reserves | 682,588 | 236,491 | 446,097 | 188.6 |
| Equity instruments | - | - | - | - |
| (Treasury shares) | - | - | - | - |
| Valuation reserves | 51,464 | 18,548 | 32,916 | 177.5 |
| **Total** | **2,141,180** | **1,662,166** | **479,013** | **28.8** |

At December 31, 2023, 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 2022. Shareholders' equity, excluding profit for the period, amounted to €2.1 billion, an increase of €479.0 million on December 31, 2022. The main changes reflect the allocation of 2022 profit (€439.8 million; of which €44.0 million to the legal reserve and €395.3 million as retained earnings) and an increase in valuation reserves (+€32.9 million) mainly due to changes in the cash flow hedge reserve (+€17.5 million) and, for the remainder, an increase in valuations of securities in the FVOCI portfolio.

## Income statement

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| **Net interest income** | **113,055** | **231,984** | **(118,929)** | **(51.3)** |
| Other gains/losses on financial transactions | 55,827 | (10,779) | 66,606 | (617.9) |
| Dividends | 140,341 | 13,475 | 126,866 | 941.5 |
| **Net fee and commission income** | **55,863** | **72,100** | **(16,237)** | **(22.5)** |
| **Gross income** | **365,086** | **306,780** | **58,306** | **19.0** |
| Personnel expenses | (214,065) | (197,079) | (16,986) | 8.6 |
| Other administrative expenses | (268,646) | (265,102) | (3,545) | 1.3 |
| Net adjustments of property, plant and equipment and intangible assets | (1,992) | (2,246) | 254 | (11.3) |
| Other operating expenses and income | 217,594 | 114,170 | 103,424 | 90.6 |
| **Total operating expenses** | **(267,109)** | **(350,257)** | **83,148** | **(23.7)** |
| **Gross operating profit** | **97,977** | **(43,477)** | **141,454** | **(325.4)** |
| Net provisions for risks and charges | (115,142) | 1,813 | (116,955) | (6,449.8) |
| Net losses/recoveries on impairment of loans and other financial transactions | (25,845) | 22,591 | (48,436) | (214.4) |
| **Total provisions and adjustments** | **(140,987)** | **24,404** | **(165,391)** | **(677.7)** |
| Profit/(loss) from equity investments | 9,803 | 437,836 | (428,033) | (97.8) |
| **Profit/(loss) before tax** | **(33,207)** | **418,763** | **(451,970)** | **(107.9)** |
| Income tax expense | 42,027 | 13,854 | 28,173 | 203.4 |
| Profit/(loss) after tax on discontinued operations | 79,100 | 7,176 | 71,924 | 1,002.3 |
| **Profit/(loss) for the period** | **87,920** | **439,793** | **(351,873)** | **(80.0)** |

The year 2023 closed with a net profit of €87.9 million, compared with a net profit of €439.8 million in 2022. The main factors that contributed to the result for the period are attributable to:

- an increase – totaling €58.3 million – in gross income to €365.1 million. The increase was the product of the following factors:

- a decline in net interest income (-€118.9 million) as a consequence of rate developments, which were negative until the third quarter of 2022 – resulting in a substantial decrease in margins as a consequence of differences in the speed of the repricing of funding and lending items. More specifically, the period saw: i) an increase in yields on securities net of the effect of associated hedging derivatives (+€256.0 million, almost all of which are Italian government securities indexed to inflation); ii) higher returns on medium/long-term loans (+€206.6 million); (iii) increased margins from other technical forms of lending, such as loans to mutual banks using pool collateral mechanisms (+€171.9 million), ECB overnight deposits (+€68.5 million) reserve requirements (+€24.5 million). These factors were countered by an increase in the cost of: iv) TLTRO financing (-€70.0 million); v) funding through bond issues (-€70.2 million); vi) repo transactions (-€342.6 million); vii) balances on current accounts and deposits (-€355.7 million);
- a reduction in net fee and commission income (-€16.2 million) mainly due to the recognition pursuant to IFRS5 of performance fees connected with correspondent bank operations (-€7.7 million); a decrease in fee and commission income for Medio Credito Centrale servicing activities (-€3.0 million) and higher performance bonuses connected with the exclusive promotion and placement agreement for e-money products and services with the Group mutual banks (-€2.2 million);
- an increase in other income/(loss) from financial operations, which amounted to €55.8 million (as detailed in the following table) –a change of +€66.6 million, a consequence of the improved performance recorded by the capital securities allocated to the HTCS portfolio (+€38.0 million), the positive contribution of trading activity (+€4.5 million) mainly due to better results of the securities segment and hedging activity (+€12.2 million). This improvement also reflected the contribution of an increase in gains on disposal from sales made on the HTC (+€4.0 million) and HTCS portfolios (+€7.6 million) on 2022 (+€11.9 million);

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| **Net gain (loss) on trading activities** | **17,681** | **13,225** | **4,457** | **33.7** |
| **Net gain (loss) on hedging activities** | **7,274** | **(4,946)** | **12,220** | **(247.1)** |
| **Net gain (loss) on the disposal or repurchase of:** | **37,323** | **25,442** | **11,881** | **46.7** |
| a) financial assets measured at amortized cost | 38,931 | 34,917 | 4,015 | 11.5 |
| b) financial assets measured at fair value through other comprehensive income | (1,740) | (9,357) | 7,617 | (81.4) |
| c) financial liabilities | 132 | (117) | 249 | (212.8) |
| **Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss** | **(6,451)** | **(44,500)** | **38,049** | **(85.5)** |
| a) financial assets and liabilities measured at fair value | (4,916) | (4,547) | (369) | 8.1 |
| b) other financial assets mandatorily measured at fair value | (1,535) | (39,954) | 38,418 | (96.2) |
| **Total Other income/(loss) from financial operations** | **55,827** | **(10,779)** | **66,606** | **(617.9)** |

- an increase in dividend income (+€126.9 million), which amounted to €140.3 million, reflecting the distribution of profits earned in 2021 and 2022 by the companies in the direct scope (€128.8 million) as well as dividends from the interest held in the Bank of Italy (€10.6 million);

• a decrease of €83.1 million in operating expenses to €267.1 million, reflecting:
  - an increase in other operating expenses/income (+€103.4 million), mainly attributable to the impact of the recognition in 2022 of one-off charges (€90 million) connected with long-term exclusive distribution contracts and agreements for the products and services of BCC Pay between Iccrea Banca and the Group mutual banks. Excluding this component, revenues from services rendered to ICBG companies increased;
  - an increase of €17.0 million in personnel expenses, of which €8.1 million attributable to an increase in wages and salaries under the terms of the bargaining agreement renewal, €3.0 million for an expansion of the workforce and €5.9 million to costs connected with items such as the incentive scheme and early termination incentives;
  - an increase in other administrative expenses (+€268.6 million), mainly attributable to an increase in running expenses (+€6.9 million) offset by a reduction in the BRRD contribution (-€3.5 million);

• an increase in net provisions for risks and charges (+€117.0 million) for the recognition of charges connected with the exclusive promotion and placement agreement of products of the bancassurance (€67.9 million) and e-money (€54.3 million) segments with the Group mutual banks, described in more detail in the following sections;

- an increase in the cost of risk (see following table) with the recognition of writedowns on on-balance-sheet and off-balance-sheet exposures of €18.9 million, equal to the net effect of writebacks on stage 1 and 2 exposures (+€23.2 million) and impairment losses on non-performing stage 3 exposures (-€42.1 million).

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % Change |
|---|---|---|---|---|
| **A. On-balance sheet exposures** | | | | |
| Stage 1 and 2 | 15,174 | 26,264 | (11,090) | (42.2) |
| Stage 3 | (41,018) | (3,673) | (37,345) | 1,016.7 |
| **B. Off-balance sheet exposures** | | | | |
| Stage 1 and 2 | 7,996 | 2,493 | 5,503 | 220.7 |
| Stage 3 | (1,090) | (1,321) | 231 | (17.5) |
| **Total** | **(18,938)** | **23,763** | **(42,701)** | **(179.7)** |

- a decrease in gains/losses on equity investments (-€428.0 million) down to €9.8 million, reflecting the disposal of the stake in BCC Pay to FSI in 2022. The earn-out recognized in 2023 in respect of the sale of BCC Pay to FSI was €10.4 million;

- an increase in profit/loss on discontinued operations (+€71.9 million), reflecting the recognition in 2023 of a gain from the disposal of correspondent bank operations (+€100.0 million) and the expenses and income connected with those operations (+€9.1 million) net of taxes (-€30.0 million). This transaction is described in more detail in the following sections. In 2022, the amount included the net profit of the assets and liabilities transferred to BCC Pay as part of the spin-off of e-money operations.

## Acquisition of control of the insurance companies BCC Vita and BCC Assicurazioni and definition of new partnerships in the bancassurance segment

As part of the process of establishing new partnerships in the bancassurance segment of the Group and in compliance with the existing agreements with Cattolica Assicurazioni, described in more detail below (see “7. Significant events during the period”), on September 27, 2023 Iccrea Banca completed the acquisition of control of the insurance companies BCC Vita and BCC Assicurazioni. The process of selecting new insurance partners led to the definition of preliminary partnership agreements establishing, among other provisions, the transfer of control (51%) of the above companies to, respectively, BNP Paribas Cardif[21] and Assimoco,[22] in the first few months of 2024, in the total amount of about €205 million.

This led to verification of the value of the interest (which increased from 30% to 100%) in the two companies in the individual financial statements of Iccrea Banca at December 31, 2023, including the component involved in the sale in the early months of 2024 (equal to 51%). This assessment did not reveal any impairment losses.

Another development within the scope of the reorganization was the transmission to the mutual banks on December 7, 2023, of the draft proposal for an agreement for the exclusive promotion and placement of products in the bancassurance sector. The agreement provides for Iccrea Banca to pay a fee in return for the concession of commercial exclusivity by the mutual banks, determined as follows:

- €30 million upon signing the exclusivity agreement;
- €40 million upon achievement of specified qualitative and quantitative objectives measured in the 2024-2028 period;
- a possible additional €250 million - to be paid at the total discretion of Iccrea Banca without any claim or entitlement on the part of the mutual banks - based on parameters not currently established and which, where appropriate, will be notified to the mutual banks in the coming years.

Bearing in mind the foregoing, at December 31, 2023 Iccrea Banca had recognized a provision for risks and charges in the total amount of €70 million (€68 million discounted value) in respect of the commitments undertaken, namely:

- €30 million in respect of the amount to be paid to the mutual banks upon signing the exclusivity contract;
- €40 million (€38 million discounted value) in respect of the amount to be paid upon achievement of qualitative and quantitative objectives measured in the 2024-2028 period, the achievement of which, based on the evidence available to date, is considered highly probable.

[21] Exclusive agreement signed on September 15, 2023.
[22] Sale agreement signed on September 14, 2023.

### Promotion and placement agreement for e-money products between Iccrea Banca SpA and the Group mutual banks

During 2022, in the broader context of the strategic reorganization designed to leverage the e-money business of the Group providing for the development of a partnership with FSI Holding S.p.A.,[23] Iccrea Banca and the participating mutual banks signed an agreement for the exclusive promotion and placement of the e-money products.

For the purposes of the financial statements of Iccrea Banca at December 31, 2022, this commercial agreement was examined pursuant to IAS 37 to assess the possible occurrence of the conditions set out in paragraph 68 of that standard. The analysis determined that the overall benefits identified and estimated over the duration of the agreement were such as to enable full coverage of the related unavoidable costs.

In light of the growth that has generally characterized the e-money business and, in particular, the performance of BCC Pay, on July 14, 2023 the Banco BPM Group signed an agreement with the ICBG and FSI for the establishment of a strategic partnership to develop of a new independent Italian digital payments operator. The agreement provides for the transfer of the e-money operations of the Banco BPM Group to BCC Pay, against payment of mixed consideration (to the Banco BPM Group) in the form of cash and shares issued by Pay Holding (the parent company of BCC Pay). Prior to the entry of the Banco BPM Group, BCC Pay will distribute reserves to the two shareholders (Iccrea Banca and FSI) in the total amount of €100 million, of which 40% to Iccrea Banca and 60% to FSI.

The transaction affects the assumptions on the basis of which the future commitment undertaken by Iccrea Banca in respect of the mutual banks with regard to performance bonuses was previously assessed. This must also be evaluated in light of the decision taken by Iccrea Banca to pay an additional €10 million in compensation between 2024 and 2025 beyond that previously agreed.

The new circumstances resulting from the entry of the Banco BPM Group into the partnership - pending the definition of the new industrial plans – have also underscored the need for new investments, especially in the IT sector, by BCC Pay, making payment of the dividends assumed for the purposes of the IAS 37 analysis conducted in 2022 unlikely. BCC Pay also redefined its organizational structure in 2023, thereby eliminating the need for a series of services provided on an outsourcing basis by Iccrea Banca, whose estimated fees were part of the aforementioned analysis.

In view of the foregoing, the new analysis conducted found that the conditions envisaged by IAS 37, paragraph 68, had been met, given that the unavoidable costs would exceed the economic benefits of the arrangement, largely as a result of payment of the performance bonuses and “extra-bonuses” agreed with the mutual banks over the course of the arrangement. Accordingly, for the purposes of the financial statements of Iccrea Banca SpA at December 31, 2023, a specific provision for risks and charges was recognized in the discounted amount of €54.3 million. This provision will be subject to periodic redetermination based on available information.

### Disposal of correspondent bank operations

As detailed in section 7. “Significant events during the period” below, on December 1, 2023 Iccrea Banca and AllFunds Bank, one of the world’s leading B2B WealthTech platforms in the funds industry, signed an agreement under which AllFunds acquired the correspondent bank operations of Iccrea Banca, which had already been reclassified and measured in accordance with IFRS 5 as at September 30, 2023. Among other things, the agreement provides for Iccrea Banca to grant commercial exclusivity to the buyer for five years, renewable for a further five at the buyer’s discretion.

The price paid to Iccrea for the sale of the correspondent bank operations was €100 million. The difference between the value of the net assets sold and this consideration was recognized through profit or loss. It is expected that the price will be subject to adjustment in favor of Iccrea based on the business volumes produced. The agreement also provides for a claw-back clause in favor of AllFunds, the exercise of which is linked not only to underperformance on volumes but also to the withdrawal from the sub-placement agreement of a significant proportion of the participating mutual banks.

At the reporting date, the fair value of the potential price adjustments reported above was not quantifiable in the absence of the conditions for their measurement.

[23] The overall operation was discussed in the financial statements at December 31, 2022, to which readers are referred for more information.

### Spinoff of Lucrezia Romana property from BCC Sinergia S.p.A. to Iccrea Banca S.p.A.

As part of the process of rationalizing investments and reorganizing the Group, an Operations Strategy initiative was developed to create a new Group operations and back office model, with the centralization of these operations in a single hub.

As part of these changes, the Parent Company decided to transfer the "Lucrezia Romana property" from BCC Sinergia to Iccrea Banca. The objective of the demerger is to separate the Lucrezia Romana property owned by BCC Sinergia from the related services provided, as the property is also an asset instrumental to the performance of the activities of the Parent Company and in which its registered office has already been established.

In 2023, with effect from October 1 - following specific authorization from the ECB - the Lucrezia Romana property was spun off with the transfer to Iccrea Banca of property, plant and equipment relating to the property itself, as well as the service contracts in place between BCC Sinergia and the companies with work space in the Lucrezia Romana facilities for the provision of space and service management services within Lucrezia Romana property complex. The operation was accounted for on a book-value basis in the financial statements of Iccrea Banca, in accordance with the provisions governing business combinations under common control. More specifically, in the financial statements of Iccrea Banca, the value of the investment was reduced in proportion to the net value of the property complex. The difference between the values transferred and the reduction of the investment led to an increase in the equity of Iccrea Banca (goodwill). The transaction involved the recognition in the bank's balance sheet of assets (land, building, systems, non-current assets under development) in the amount of €87.3 million.

Subsequently to the spinoff, an assessment was begun of the expected useful life of the property. This assessment also took account of the numerous energy and structural redevelopment interventions implemented over the last few years. A qualified external technician was specifically engaged to perform the appraisal. The analysis found that the new expected useful life attributed to the Lucrezia Romana property is an estimated 49 years.

## 7. SIGNIFICANT EVENTS DURING THE PERIOD

### Group Business Plan

As part of the periodic review of our economic-financial targets under the rolling approach to strategic planning adopted by the Group, the horizon of the Group Business Plan was extended to 2026, with the aim of incorporating both the changed macroeconomic environment 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 NPL ratio of 3.3% in 2026 ECL ≤ 0.5%.

That target leverages the continuation of initiatives already activated by the Group since its establishment, focused on: the improvement of the credit quality of new products; the efficiency of the monitoring process to contain new defaulted positions; the reduction of non-performing exposures through monitoring of positions returning to performing status, recoveries of overdrawn positions and the enforcement of guarantees; and the use of sales for both UTPs and bad debts.

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 decreases over the course of the plan before stabilizing at around €3.7 billion in 2026. Net fee and commission income 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.

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.
- 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").

The updates of the targets and the extension of the horizon of the Group Business Plan to 2026 were approved in March 2024.

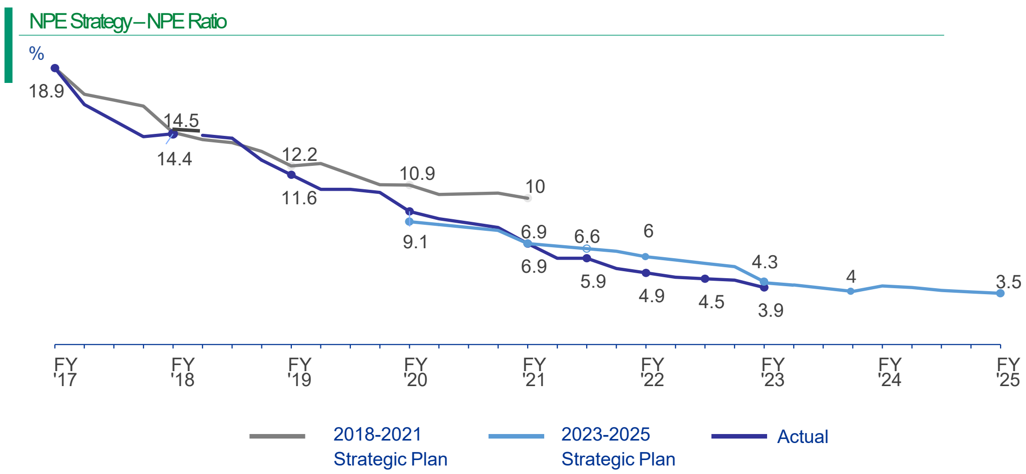
## NPE Strategy

Since its establishment, the Group has undertaken a virtuous de-risking process, which in just a few years made it possible to progressively achieve a gross NPE ratio in line with the average of leading national competitors. The proactive management actions for the most vulnerable performing positions and the substantial disposals of NPEs - in particular of bad loans through securitizations guaranteed by the State under the GACS mechanism - had already lowered that indicator to 4.5% at the end of 2022, compared with a pro-forma figure at the end of 2017 of about 19%.

As part of its broader strategic planning process, the Group 2023-2025 NPE Plan approved in March 2023 set out further measures intended to achieve an NPE ratio target of 4.3% by the end of 2023, 4% by 2024 and an ambitious 3.5% by the end of 2025.

Consistent with the set objectives, a number of NPE sales were finalized in 2023. Partly owing to the non-renewal of public measures, these were carried out using market procedures, which for a significant part also involved counterparties classified as UTP. At the same time, the progressive consolidation of processes for managing of impaired loans has made it possible to achieve good performance in terms of both curing NPE positions and collections from liquidations and/or settlement agreements. These actions, in association with a lower-than-projected default rate, made it possible to achieve a gross NPE ratio at Group level of 3.9% at the end of 2023, compared with the planned 4.3%, even outpacing the target for end-2024 (4%). This result, together with the high level of coverage (which has also rise steadily over the years) deriving from the prudential evaluation policies implemented since the creation of the Group, brought the net NPE ratio at the end of 2023 to around 1.1%, in line with the national average for "significant" credit institutions.

In order to underscore the significant acceleration in the derisking path followed by the Group in the last few years, the following chart highlights the dynamics of the Group's NPE ratio in recent years and that expected in the 2023-2025 period. For previous years, the performance is compared with the plans in force at the time (for 2018-2021, reference was made to the activity plan presented to the ECB in conjunction with the Group's application for registration in the specific register provided for in the Consolidated Banking Act).




As regards disposals of impaired loans, three significant competitive procedures were finalized during 2023, accompanied by more targeted disposals of smaller amounts, which saw the participation of major Italian and international institutional investors. The operations involved a total of over €1 billion in credit claims.

In the first quarter of 2023, the derecognition of the impaired loans in two NPE portfolios composed of bad loans and unlikely-to-pay positions was finalized (the "Mible" and "Waarde" portfolios), representing total credit claims of about €463 million, with the individual positions held by 78 Group banks participating as assignors and attributable mainly to small and medium-sized businesses (mainly medium and long-term installment loans, largely secured by collateral) and to households (largely residential home loans). These loans were classified for the purposes of the 2022 financial statements under non-current assets held for sale in application of IFRS 5 (for further details on the operation, please see the financial statements at December 31, 2022).

Moreover, in December 2023 - after another competitive process again coordinated by the Parent Company whose binding-offer phase ended in June 2023 - the divestment of a portfolio of unlikely-to-pay positions and bad debts representing a credit claim of about €108 million, made up real estate and non-real estate lease receivables originated by BCC Leasing ("Project Montes"), was finalized. The structure of the transaction also included a demerger authorized by the ECB in October 2023, which involved the transfer of an interest in the demerged vehicle to an institutional investor.

Finally, September 2023 saw the finalization of an additional assignment (largely without recourse) of impaired loans (the "Quantum" portfolio) originated by 75 Group banks representing a total credit claim of €454 million, mainly attributable to small and medium-sized businesses and households.

In addition, in the fourth quarter of 2023 another competitive procedure for the disposal of non-performing loans was launched, again with the coordination of the Parent Company. It involved Group 71 banks of the Group and a total of about €300 million in UTP positions and bad loans. The binding-offer phase of the procedure concluded in February 2024 with the acceptance of offers from a pool of investors and the operation was finalized in March 2024 following the signing of the associated contractual documentation and the migration of the data, which enabled the derecognition of the positions in the 2024 first quarter financial report. If this transaction, which had substantially been defined at the beginning of 2024, were considered in the 2023 figures, the Group's gross NPE ratio (pro-forma) at December 31, 2023 would have been 3.6%, effectively achieving the target planned for the end of 2025 and demonstrating the great attention paid to managing credit risk and the ability to achieve even better results than planned even in a highly uncertain market environment.

In the wake of these results, Group planning for the specification of strategic objectives for the 2024-2026 period identified the actions to be implemented in terms of acceptance rules at origination, pro-active management in the monitoring phase and disposal strategies designed to maintain an NPE ratio in line with market averages in the coming years, taking due consideration of guarantees and coverage of those positions, with the ambition of lowering the risk indicator below 3.5% at the end of the period.

### The covered bond program

On March 30, 2023 the Bank of Italy issued the 42nd update of Circular 285/2013 containing supervisory provisions for banks, which modifies the regulations governing covered bonds. With the update, the Bank of Italy issued the implementing rules for the provisions of Title I-bis of Law 130/1999, introduced with Legislative Decree 190/2021 to transpose the new European regulations governing covered bonds in Italy.

The introduction in Italy of the new legislative and regulatory framework on covered bonds issued by banks, prompted by the need to ensure the harmonized regulation of these instruments and establish specific supervisory rules for issuance programs, compliance with which has been entrusted to the Bank of Italy, required Iccrea Banca to adapt the covered bond program undertaken in previous years in order to ensure compliance with the new regulations and carry out new issues.

In this context, under the provisions of the transitional regime applicable to programs in existence on the date of entry into force of the supervisory provisions that, in compliance with the provisions of law in force at the time, did not require the Bank of Italy to issue a specific authorization, Iccrea Banca has updated its program, satisfying all disclosure obligations in order to enable the supervisory authority to verify compliance with the new regulatory framework. This disclosure obligation was met with the transmission by Iccrea Banca of a notice of intent to carry out a new issue under the program to the Bank of Italy 30 days before undertaking the new issue. The notice also containing the information necessary to certify that the program is compliant with the new regulatory regime.

Specifically, the notice was accompanied - inter alia – by a certification from Iccrea Banca's strategic supervision body, having consulted the control body, concerning compliance with the requirements set out in Section VII of the supervisory provisions and the report from the asset monitor certifying compliance with the requirements set out in Section III of the supervisory provisions and the integrity of the cover pool, in accordance with the methods agreed between Iccrea Banca and the asset monitor in conformity with the provisions of section IV, paragraph 2, of the supervisory provisions.

On June 1, 2023, Iccrea Banca therefore sent the notice and the certification issued by the Board of Directors to the Bank of Italy together with the certification issued by the asset monitor. After 30 days, within which the Bank of Italy could have started an official procedure for the adoption of specific measures pursuant to Article 7-octiesdecies of Law 130, on 12 July 2023, Iccrea Banca carried out the first issue of covered bonds labeled as European Covered Bonds (Premium) in an amount of €500 million, which was followed by a subsequent reopening of the same issue in the amount of €150 million. The following participated in the issue as assignor banks: Emil Banca, Credito Cooperativo Friuli, Banca di Credito Cooperativo di Milano, Credito Cooperativo di Ravennate Forlivese e Imolese, Banca della Marca, BCC Binasco, BCC Busto Garolfo, Banca Tema, Credito Padano and BCC di Roma.

As regards the issue carried out in the second half of the year in the total amount of €500 million, which was followed by a subsequent reopening of the same issue in the amount of €100 million, the following as assignor banks: Emil Banca, Banca Centro Credito Cooperativo Toscana - Umbria, Credito Cooperativo Friuli, Banca di Credito Cooperativo di Milano, Credito Cooperativo di Ravennate Forlivese e Imolese, Banca Patavina, Banca di Credito Cooperativo Venezia Giulia, Banca della Marca, Cassa Rurale ed Artigiana di Binasco, Banca di Credito Cooperativo di Busto Garolfo e Buguggiate, Banca Tema, Credito Padano, Banca di Credito Cooperativo di Roma, Banca di Credito Cooperativo di Bellegra, ChiantiBanca, Banca Alpi Marittime Credito Cooperativo Carrù, Banca di Credito Cooperativo dei Colli Albani, and Riviera Banca – Credito Cooperativo di Rimini e Gradara.

The liquidity raised by these issues was made available to the participating banks in proportion to the loans assigned to the Iccrea Covered Bond vehicle.

The first issue was subscribed by domestic and international investors with the following geographical distribution: Italy (55%), Germany-Austria (20%), Benelux (9%), Nordic countries (6%), France (4%), Iberia (2%) and others (4%). In terms of type of investor, 69% were allocated to banks, 16% to central banks/institutions, 14% to funds and 1% to other investors.

The second issue was also subscribed by domestic and international investors with a geographical distribution characterized by a prevalent weight of non-domestic subscribers: Nordic countries (29%), Germany-Austria-Switzerland (23%), Italy (22 %), United Kingdom (10%), Spain (9%), Asia (4%) and Benelux (3%). In terms of investor type, 34% was allocated to banks, 10% to central banks and institutions, 52% to funds, 2% to insurance and pension funds and 2% to other investors. For more information on the Program, please see Part E of the notes to the financial statements.

## 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, the Group has historically 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 updated in the following years is intended to achieve the integration of ESG factors and risks in all corporate processes, in line with the new regulatory requirements and the expectations of the supervisory authorities. In this respect, our governance, strategy, lending, investment and financial services, ICT and data governance processes have been especially affected, as have risk management processes.

With regard to the strategic component – in view of the growing attention of the market,[24] investors, rating agencies and consumers, to sustainability issues and the consequent impact on the strategic positioning of companies - the Group has developed its 2023-2025 Sustainability Plan, which is integrated into the Group's three-year Strategic Plan, divided into objectives and targets relating to environmental, social and governance issues, also expressed at an individual level through specific guidelines.

Following the approval of the 2023-2025 Sustainability Plan, monitoring of the progress and actual achievement of the defined targets was conducted – following specified internal processes, which also include the definition of key performance indicators for processes, implementation and results - and activities to update the new ESG strategies for the 2024-2026 period are under way, including a review of the objectives and the associated targets for the three drivers of sustainability.

The process undertaken, the constant effort devoted to these issues and the consequent results achieved enabled the Group to obtain, in October 2023, an ESG Risk Rating of 14.2 from Morningstar Sustainalytics, corresponding to a "low" ESG risk level on a scale of five levels (*Negligible, Low, Medium, High, Severe*). 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 corporate ethics issues, which have been assessed as above the sector average, also reflecting the initiatives implemented to promote and disseminate to all company personnel the

[24] In this respect, see also a series of directives and guidelines, including: the revision of the Energy Performance of Buildings Directive (2010/31/EU), the revision of the EU Emissions Trading System (ETS), the revision of the Energy Efficiency Directive (2012/27/EU) and the Renewable Energy Directive (2018/2001/EU).

values and principles of conduct underpinning the historical mission of the cooperative credit movement.

### The ESG – Sustainability program

During 2023, in order to ensure a clear governance structure to organize the many initiatives undertaken and the multiple interconnections among projects, the ESG project program underwent further refinement and updating, providing for the coordinated management of:

- projects with regulatory ramifications intended to ensure alignment with ECB expectations and other relevant regulations;
- the strategic initiatives, designed to guide the strategic positioning of the Group in the ESG space.

With the update, six macro-project areas were identified that concern the initiatives specifically relating to the three drivers of sustainability (Environmental, Social and Governance) and the three transversal areas (IT&Data Governance, Disclosure and Investment Services), broken down into specific projects with operational activities and tasks spread over a multi-year time horizon.

With regard to the regulatory framework, and governance in particular, activities to amend the internal regulatory framework were launched in order to strengthen, among other things, the roles and responsibilities of the Board and the corporate functions involved in the management of climate and environmental risks along the three lines of defense.

In this context, major initiatives include those to update: i) the Rules of the Board of Directors and of the Board committees, with particular regard to the ESG Committee;[25] ii) the Rules of the Operations Committee of the Parent Company, in order to ensure the formal and periodic monitoring of ESG issues at management level in order to address priority issues with transversal impacts on the various company areas; iii) the Group Policy on the coordination of corporate control functions and the related annex concerning reporting by the corporate control functions to the corporate bodies and Board committees, with a view to giving prominence to the reporting of those functions on ESG issues.

With regards to the Lending project, during 2023 the lending process was supplemented with a model for assessing the environmental profile ("E" - Environmental) of customers and any real estate collateral supporting lending operations, in compliance with the recommendations of the EBA Guidelines on loan origination and monitoring ("LOM").

In relation to the project for business strategies, which includes, among others, an initiative to restructure the product catalog with the introduction of "taxonomy aligned" financing products, the approval process for seven new financing products aligned with the EU taxonomy was completed, mainly focused on the areas of renovation, energy efficiency of buildings and the purchase of highly energy efficient homes and green cars. The new products are targeted at individuals and businesses, and activities to integrate them into the Group's next commercial planning process have been completed, together with a review of certain functions of credit applications in the IT system. With regard to these new products - as well as insurance products, asset management and e-money with an ESG connotation - specific ambitions were defined by the various Group entities for the planning cycle for the 2024- 2026 period.

Other developments in this project included the continuation of on-boarding of the mutual banks and customers, with particular regard to micro businesses and SMEs. For this reason, the Group implemented a series of initiatives aimed at raising awareness among the customers of mutual banks about the impacts of sustainability on their business and strategic positioning and related opportunities. In particular, 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. With regard to the on-boarding of the mutual banks, we continued with the negotiation and promotion of the dissemination of the "ESG Objective" Platform, developed in synergy with our partner Crif SpA as a tool for measuring ESG performance. It is 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".

In this regard, the Parent Company has also established an intensive dialog with the banks and, through them, the client companies. The effort has involved the organization of numerous informational meetings, with the participation of internal and external professionals, in order to bring the salient elements of the sustainable transition to the attention of customers, with a view to illustrating opportunities and consequently reviewing their evolutionary strategies.

As regards the initiatives with a social connotation, which characterize much of the work of the affiliated banks in their territories in favor of private individuals and businesses, the Group has undertaken activities to ensure the

[25] This is the most recently established Board committee, which was created to ensure more incisive governance of these issues.

continuous and progressive evolution of these initiatives and, in parallel, other activities to enable an initial evaluation of social impact. In this regard, the initial scope and methodologies adopted for the first measurement exercise were identified (social lending, donations and charity and community initiatives implemented by the Young Members Committees) in order to conduct the first measurement of social impact, which will be reported in the 2023 Non-Financial Statement, also providing for an evolution of the reference scope and the associated methodologies in 2024, which will be reflected in future reporting.

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 2023, 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.

Furthermore, with regard to the broader process already under way of integrating climate and environmental risks into the Group’s risk management framework, during 2023, the evolutionary activities were completed which concerned:

- 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. Specifically, action was taken to address risks associated with the ecological transition, which certainly qualify as emerging risks, for which impact modeling uncertainties are the greatest given the current measurement systems in use at the mutual banks. In this regard, the scope of application of overlays in determining ECLs has also been extended to comprise this further specific segment in “brown” sectors in the “High” and “Very High” risk categories, which are applied in the definition of the RAS indicators linked to “Climate & Environmental risk” (C&E);
- 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).

In 2024, the evolution of the Group’s risk management systems will continue to integrate C&E risk factors into the metrics and models for measuring and evaluating traditional risks to further strengthen and 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 regard to disclosure processes, 2023 saw the implementation of activities to identify information assets suitable for meeting new reporting needs at the December 31, 2023 reporting date and to process information for the preparation of the new reporting formats for the Non-Financial Statement and Pillar III reporting. With regard to the latter aspect, action was taken to include the main regulatory changes concerning the initial production of taxonomy indicators (e.g. GAR - Green Asset Ratio) in the upcoming reporting.

In this regard, Directive (EU) 2022/2464 (the Corporate Sustainability Reporting Directive - CSRD) is part of the European Green Deal and is intended to promote transparency and disclosure by companies regarding the environmental, social and governance (ESG) impacts of their activities with the expansion of their reporting obligations. The CSRD was published in the *Official Journal of the European Union* on December 16, 2022, entered force from January 5, 2023 and will be partially applicable as from financial years starting on or after January 1, 2024. Pursuant to Article 5 (Transposition) of the directive, the Member States must transpose the CSRD into national legislation by July 6, 2024.

The CSRD impacts sustainability reporting legislation by coordinating with rules governing transparency and assurance (more specifically, the directive amends Regulation 537/2014/EU, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU), adopting, inter alia, the following interventions:

- expansion of the scope of the reporting obligations for sustainability information, which will apply to all large companies and parent companies of large groups, including unlisted ones, as well as small and medium-sized firms except micro-enterprises (provided they have financial instruments admitted trading on a regulated market) and third-country firms (if certain requirements are met);

- obligation to prepare a sustainability report (previously, “non-financial statement”) complying with common standards developed at the European level (ESRS) by EFRAG and adopted by the Commission through specific delegated acts;
- obligation to submit the sustainability report to assurance in order to obtain an assurance opinion on the conformity of the report with the ESRS standards and introduction of specific requirements for the performance of assurance services.

The objective pursued with the CSRD is to give investors and stakeholders access to sustainability information for individual firms or groups that is more detailed, clear and as standardized and exhaustive as possible. More specifically, it seeks to ensure that firms communicate non-financial information to users who need it and that this information is relevant, comparable, reliable, easily accessible and usable, thus also decreasing unnecessary costs for preparers. By enabling investors to better assess the sustainability risks and impacts of investments, the initiative will mobilize private financing to support the European Green Deal. It contributes to the completion of the Capital Markets Union by enabling investors to access comparable non-financial information from investees across the European Union. It will also strengthen the social contract between society and firms, making the latter more responsible for their impact on society and the environment.

With the CSRD, sustainability reporting takes the place of the non-financial reporting required under the provisions of Legislative Decree 254/2016, requiring broader and more specific content, including not only information relating to the firm or its group but also to the value chain.

With reference to its place in the reporting arena, with the CSRD the sustainability report becomes an integral part of the report on operations drawn up by the directors pursuant to Article 2428 of the Italian Civil Code, of which it constitutes a specifically indicated section. Accordingly, the adoption and publication of the sustainability report will take place in accordance with the timing and procedures established in national legislation for the approval and publication of the company’s financial documents, with the involvement of the company’s corporate bodies in accordance with their respective skills and responsibilities.

The CSRD also requires companies to draw up the report on operations - including, therefore, the sustainability report - in the single European electronic format (ESEF), i.e. Extensible HyperText Markup Language (XHTML) in the form of a web page navigable with XBRL tags, in order to enhance usability and connect the information to the European Single Access Point (ESAP), currently under construction. Furthermore, in order to enable free access to sustainability information, firms will have to publish sustainability information on their websites.

With regard to the Investment Services project, after the activities carried out in the first half of 2023 in order to meet the regulatory obligations introduced with Delegated Regulation (EU) 2022/1288 supplementing Delegated Regulation (EU) 2019/2088 (the “SFDR”), it is worth mentioning the publication in a dedicated section on the web portals - for the Group banks meeting the requirements of current legislation - of the information relating to the description of the main negative impacts on sustainability factors (Principal Adverse Impacts Statement or “PAI). Activities are also under way to further strengthen the current framework for the management of ESG risks in the context of investment services, through a review of regulatory and process arrangements connected with the management of ESG risks in the provision of investment services.

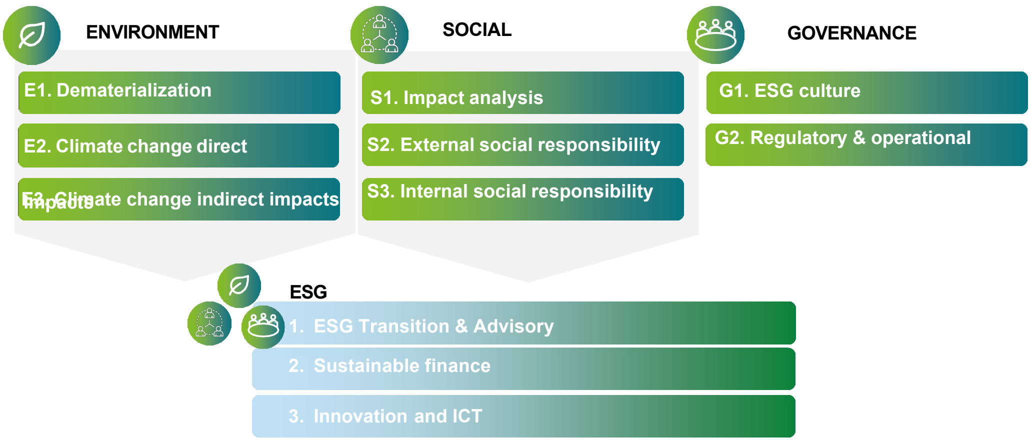
In view of the foregoing and given the transversal nature of the issues involved, evolutionary work continued in the data governance and ICT fields in order to adapt the associated applications and increase ESG information assets to support operational and control processes as well as disclosure activities.

With specific regard to strategic initiatives, the Group - which has always been committed to promoting the sustainable development of its territories - continued to develop strategies to ensure the evolution of the Group’s market positioning, intensifying ESG strategies over the 2023-2025 planning horizon.

Numerous aspects were considered as relevant inputs in defining ESG strategies and the related measures to be implemented for the 2023-2025 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 of the updating of the sustainability rating obtained from Morningstar Sustainalytics.

The 2023-2025 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 in 2023 addressed the following areas:

- **Environmental component**. The Group continued the work begun in 2022 to reduce carbon dioxide emissions and increase the efficiency of company premises, including the implementation of a process of converting the motorpool to hybrid and electric cars (direct impacts). In the light of the expectations of the supervisory authorities and the growing attention received from stakeholders, an initial measurement was conducted of emissions financed (Scope 3), which had already been published in the 2022 Consolidated Non-Financial Statement, also with a view to developing strategies for restructuring the loan portfolio in such a manner as to contain and/or reduce GHG emissions.
- **Social component**. In September, Iccrea Banca and nine companies in the direct scope[26] obtained certification of the compliance of their management system with the UNI/PdR 125:2022 standard for gender equality. This is an important result for the Group in the context of promoting equity, inclusion and respect for others, values that the Group has always pursued. Also, in order to provide tools for the activation of a sustainable transformation as well as facilitating access to the financial resources made available under the NRRP, agreements were signed to facilitate mutual bank customers' access to tenders with services to raise their awareness and the development of an ecosystem of advisory services for businesses to facilitate their participation.
- **Governance component**. Following the initial measures implemented, which included the introduction of an internal Board committee dedicated to ESG issues, in 2023 the Group launched initiatives to intensify the involvement of top management, including the formalization of ESG responsibilities for the Operations Committee, as well as objectives to further evolve the ESG culture at all levels of the organizational structure, with particular regard to the ESG Ambassadors and the professionals who manage customer relationships in the lending and asset management sectors. Finally, in line with the legislative proposal on due diligence (Corporate Sustainability Due Diligence Directive or CSDDD), project activities are underway regarding the definition and introduction of ESG metrics in the supply chain.

[26] BCC Leasing, BCC Rent&Lease, BCC Factoring, BCC Risparmio&Previdenza, BCC CreditoConsumo, BCC Servizi Assicurativi, BCC Gestione Crediti, BCC Sistemi Informatici and BCC Sinergia.

### Ukraine crisis and consequent initiatives

With the continuation of hostilities, various measures have been taken by European and other authorities of various countries to impose sanctions or restrictions involving operations in Ukraine, Russia and Belarus. The sanctions packages envisaged amendments to both Regulation (EU) no. 269/2014 (containing subjective measures) and Regulation (EU) no. 833/2014 (containing subjective measures, financial restrictions and product restrictions).

With regard to the international sanctions imposed on Russia, specific guidelines and safeguards have been developed to ensure the appropriate management of the risks underlying transactions with the countries involved and the application by all Group entities of the financial sanctions imposed by the competent authorities. In this context, the Parent Company continued to provide operational instructions to Group entities for the management of transactions with Russia, Ukraine and Belarus, issuing various operational circulars during 2023 containing instructions concerning the information to be transmitted to the Financial Intelligence Unit (FIU) on frozen funds and economic resources of designated entities - pursuant to EU Regulation 426/2023, which falls within the scope of sanctions imposed in response to the war of aggression in Ukraine - and the expansion of notification obligations provided for in Article 5g, paragraph 1, of Regulation (EU) no. 833/2014, as amended by Regulation (EU) no. 2474/2022 of December 16, 2022.

With regard to cybersecurity issues and those relating to energy supplies, no significant events were recorded for the Group, whose units, together with those of the companies involved (BCC Sistemi Informativi and BCC Sinergia), have continued the active monitoring of the evolution of these issues, continuing participation and information exchange with the national bodies responsible for monitoring IT risk and operational continuity for the financial sector (CERTFin and CODISE).

### Reorganization of the Group’s Corporate segment

In order to enable the affiliated banks to develop the full commercial potential of the Group’s Corporate segment, we continued pursuing advanced strategies and positioning for the product companies within the direct scope as defined under the Transformation Plan, while work to implement these actions was completed.

During the first half of the year, in line with the broader communication and repositioning strategy of some of the Group’s businesses and with the adoption of the new visual identity and naming, the corporate name of Iccrea BancaImpresa was changed to BCC Leasing, that of BCC Lease to BCC Rent&Lease and that of Banca Mediocredito del Friuli-Venezia Giulia to BCC Financing.

As regards BCC Financing, on March 1, 2023, it completed the transfer of the business unit relating to the FRIE secretariat and SME Development secretariat activities performed on behalf of the Autonomous Region of Friuli Venezia Giulia, to FVG Plus SpA, a newly formed company owned by the Autonomous Region of Friuli Venezia Giulia indirectly through Friulia SpA.

Furthermore, continuing the process of simplifying the Group’s shareholder structure, following the conclusion of the authorization procedures by the supervisory authorities, on February 27, 2023 the acquisition by Iccrea Banca of 100% of the shares of BCC Rent&Lease previously held by BCC Leasing was completed.

### Reorganization of the Group’s Bancassurance segment

In line with the development of the bancassurance segment pursued by Group in recent years, work has continued on implementing the new model as defined in the Strategic Plan.

Specifically, on January 20, 2023, BCC Servizi Assicurativi (BCC SA) i) completed the purchase of 100% of ASSI.CRA. Veneto Srl (Territorial Reference Agency - ART del Veneto), acquiring the remaining 30% of the shares held by Federazione Veneta delle BCC for a total of about €1 million and (ii) the instrument for the merger of ASSI.CRA Veneto Srl into BCC SA was signed with legal effect from February 1, 2023 and with accounting and tax effects from January 1, 2023.

On March 1, 2023, BCC SA completed the acquisition of the insurance business of A&T Servizi Assicurazioni e Turistico Srl, which is owned by the Federazione Marchigiana BCC (32.8%) and affiliated banks (67.2%), for a total of about €0.5 million.

On June 22, 2023, BCC SA completed the purchase of 100% of Assicra Abruzzo e Molise Srl (Territorial Reference Agency - ART of Abruzzo and Molise) previously held at 44.2% by Federazione Abruzzo e Molise delle BCC, 23.5% by affiliated banks, 25% by Assimoco and 7.3% by other shareholders, for a total of about €0.7 million. Plans call for its merger into BCC SA in September 2023, with legal effect from October 1, 2023 and with accounting and tax effects from January 1, 2023.

In view of the changed market context and the consequent selection of new insurance partnerships, the Group's shareholdings were redefined: more specifically, on October 30, 2023, BCC SA distributed about €259 million to Iccrea Banca as partial repayment of the share premium reserve deriving from the subscription, by Iccrea Banca, of the capital increase of about €265 million conducted by BCC SA and subscribed on September 19, 2022.

Most recently, Iccrea Banca has begun 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 SA 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.

### Bancassurance segment – New insurance partnerships

Following the expiry of the insurance partnership with Società Cattolica di Assicurazioni SpA (now Generali Italia SpA) on December 31, 2022, in compliance with the provisions of existing agreements, Iccrea Banca initiated the process, including requesting authorization from the supervisory authorities, for the repurchase of 70% of the shares of BCC Vita and BCC Assicurazioni, which concluded with the transfer on September 28, 2023.

At the same time, in June and July 2023, Iccrea Banca received binding offers from leading Italian and international groups for the purchase of a majority of the shares of BCC Vita and BCC Assicurazioni and the signing of new commercial agreements for insurance distribution. The Board of Directors of Iccrea Banca decided to hold confidential and exclusive discussions with BNP Paribas Cardif and Assimoco to specify the details of a new insurance partnerships for the life and non-life sectors respectively.

On September 14, 2023, a partnership agreement for non-life business was signed with Assimoco. Following the completion of the process, including receipt of authorization from the supervisory authorities, which occurred in April 2024, the agreement envisages, among other provisions, the purchase by Assimoco of 51% of BCC Assicurazioni and the possibility, upon achieving performance indicators, to extend the duration of the commercial agreements up to a total of 15 years as well as to transfer a further 19% of BCC Assicurazioni to Assimoco. In line with our commercial targets, the sale of 70% of BCC Assicurazioni could generate up to €275 million for the Group, which could increase in the event of certain conditions, as well as the more than €1.6 billion in commission income expected over the 15 years.

On November 25, 2023 a partnership agreement for life business was signed with BNP Paribas Cardif S.A. Following the completion of the process, including receipt of authorization from the supervisory authorities, which is expected to occur in the first half of 2024, the agreement envisages, among other provisions, the purchase by BNP Paribas Cardif S.A. of 51% of BCC Vita and the possibility, upon achieving performance indicators, to extend the duration of the commercial agreements up to a total of 15 years as well as to transfer a further 19% of BCC Vita to BNP Paribas Cardif S.A.

For the Group, the new partnerships, will make it possible to strengthen and standardize the offer of the affiliated mutual banks in the bancassurance segment, ensuring the continuity of the efforts of BCC SA, BCC Vita and BCC Assicurazioni in promoting life and non-life insurance services and enhance synergies in the asset management segment.

### Eurovita

On June 30, 2023, a preliminary agreement was reached for the rescue of the insurance company Eurovita, which was placed under external administration by the supervisory authorities at the beginning of 2023. At the instigation of the Ministry for the Economy and Finance and the Ministry of Enterprise and Made in Italy, as well as with the collaboration of the Oversight Committee and the Special Administrator of Eurovita, an agreement was reached between the 25 banking groups distributing the policies, 5 leading insurance companies operating in Italy (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI) and a number of leading Italian banks on an operation at market conditions designed to protect Eurovita policy holders. The preliminary agreement was finalized with the signing of the definitive agreements on September 27, 2023.

Consistent with the provisions of the agreements, Eurovita SpA performed the initial transfer of the policies (with the transfer of a business unit) to a newly established insurance company called Cronos Vita Assicurazioni SpA, owned by the leading insurance companies indicated above. This will be followed, at a later stage, by the split of Cronos Vita Assicurazioni SpA into five different business units that will be incorporated by those insurance companies.

Among other aspects, the agreements provide for the distributing banks/banking groups to grant Cronos Vita

Assicurazioni SpA a line of credit on market terms to fund the settlement of customer surrenders of the Class I (life insurance) and Class V (capitalization products) policies it has distributed.

In this context, as the Group Parent Company and on behalf of the 39 affiliated banks that have distributed former Eurovita policies with about €1 billion in technical reserves, of which approximately €0.6 billion relating to Class I and Class V products, Iccrea Banca has signed the agreement, providing Cronos Vita Assicurazione SpA with a credit line on market terms, and in parallel has signed multiple funding agreements with the affiliated banks involved.

### Reorganization of the Group's retail segment – Electronic money

In line with the reorganization of e-money operations in the ''Retail'' segment, on February 1, 2023, BCC POS acquired the business unit for the purchase, rental, sale, maintenance and assistance of POS terminals from Coopersystem SC. On March 27 and 28, 2023 the boards of directors, respectively, of Coopersystem SC and the Federazione Toscana approved the merger of Coopersystem SC into Federazione Toscana. The merger was subsequently approved by the respective extraordinary Shareholders' Meetings on April 18, 2023, with the merger taking effect on June 28, 2023. From the effective date of the merger, Coopersystem is no longer part of the Group, with its consequent cancellation from the Register of Banking Groups.

As part of the partnership between Iccrea Banca and FSI SGR SpA finalized in August 2022 to create a system operator (starting with BCC Pay) to improve services to mutual banks and their customers and attract new partner banks, in October 2023 BCC Sinergia accepted a binding offer from BCC Pay for the transfer of its e-money operations, i.e. the production and customization of payment cards and management of POS terminals. These are activities strictly connected with the commercial and operational activities of BCC Pay, while for the Group they represent ancillary activities with no possibility of generating additional synergies with the mutual banks. The transfer is expected to close in the first half of 2024 after completion of the authorization process.

In August 2023, Iccrea Banca, Intesa Sanpaolo SpA, Banco BPM SpA, BPER SpA, BANCOMAT SpA and FSI SGR SpA signed a binding agreement for the entry of FSI SGR SpA in the share capital of BANCOMAT SpA. After completion of the authorization process, the transaction provides for FSI SGR SpA to invest up to €100 million in BANCOMAT SpA through a restricted capital increase in return for a qualified minority shareholding. Upon completion of the operation, expected in the first half of 2024, FSI SGR SpA will be the relative majority shareholder alongside the current shareholder banks. The aim of the project is to support BANCOMAT SpA in strengthening its role in providing a key payment infrastructure in Italy.

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

On July 14, 2023, Iccrea Banca, Banco BPM SpA and FSI SGR SpA signed a binding agreement for a partnership to develop an independent Italian operator, based on BCC Pay, in the e-money sector, specifically digital payments (issuing and acquiring) with major expected synergies.

Upon completion of the process, including receipt of authorization from the supervisory authorities, which is expected during 2024, the agreement envisages the transfer of Banco BPM's e-money operations (issuing e acquiring) to BCC Pay and the signing of a long-term contract for the distribution of the latter's products and services, including through the branch network of Banco BPM SpA. The transaction has an overall value of up to €600 million. Banco BPM will be paid in cash and shares issued by the Pay Holding vehicle, which in turn controls the entire capital of BCC Pay. Upon completion of the operation, Pay Holding will be owned by FSI with a stake of about 43%, while Iccrea Banca and Banco BPM will hold about 28.6% each. BCC Pay will receive a new visual identity and naming.

### Reorganization of the Group's Operations segment – correspondent bank and agent bank

On December 1, 2023 Iccrea Banca and Allfunds Group plc, one of the world's leading B2B WealthTech platforms in the funds industry, signed a partnership agreement under which Allfunds acquired the correspondent bank and agent bank operations of Iccrea Banca, also signing a long-term service agreement.

More specifically, the services comprise all the back-office activities supporting BCC Risparmio & Previdenza and the affiliated banks in placement activities for Italian and foreign funds. The agreement is part of the Group's strategy to support development projects in the post-trading services area, with important expected synergies in terms of improved service levels.

### Reorganization of the Group's Operations segment – Single Back Office Hub

As part of the Operations Strategy project within the Transformation Plan to create a Single Back Office Hub within the Group, as from January 1, 2023 the merger between BCC Sinergia and BCC Solutions took effect, with the establishment of BCC Sinergia SpA. The operation is part of the broader efficiency-enhancing strategy of the Group and is specifically aimed at bringing out the synergies and economies of scale deriving from the complementarity of the operations of the two companies, which are both already active in the Operations segment serving the other companies within the direct scope and the affiliated banks.

As from October 1, 2023 the transfer of the Lucrezia Romana property from BCC Sinergia to Iccrea Banca took effect. The objective of the initiative is to reorganize and reallocate assets and activities between the two companies, enabling Iccrea Banca to control an asset instrumental to the performance of its activities and in which its registered office is already established and BCC Sinergia to specialize more effectively in the provision of services.

As regards the acquisition of back-office business units from the affiliated banks, the transfer of the back-office unit from Banca di Credito Cooperativo Mediocrati to BCC Sinergia was approved in 2023, taking effect from November 1, 2023. Taking account of the benefits already achieved, the objective for the coming years is to continue the process of centralizing back-office operations.

### Mergers between mutual banks

The rationalization of the territorial organization of Group companies continued in 2023, with the aim of further strengthening their roots in local communities and developing strategies consistent with market conditions and the needs of shareholders, customers and the economic environment, while enhancing their social function.

More specifically, the following extraordinary operations took effect in 2023:

- merger of Banca di Taranto e Massafra - Banca di Credito Cooperativo - Società Cooperativa into Banca di Credito Cooperativo di Bari - Società Cooperativa (now called Banca di Bari e Taranto - Credito Cooperativo - Società Cooperativa) with legal effect from April 24, 2023;
- merger of Banca 2021 - Credito Cooperativo del Cilento, Vallo di Diano e Lucania into Banca di Credito Cooperativo di Buccino e dei Comuni Cilentani (now called Banca di Credito Cooperativo Magna Grecia - Società Cooperativa) with legal effect from November 13, 2023.

### Actions within the scope of the Guarantee Scheme

During 2023, the Parent Company implemented the following support initiatives through the Guarantee Scheme:

- a capital support initiative for a total nominal amount of €2.5 million, drawing on the Ex Ante Quota of the Readily Available Funds, to subscribe shares issued in accordance with Article 150-ter of Legislative Decree 386/93 by the BCC Centropadana;
- a liquidity support initiative, drawing on the Ex Post Quota of the Readily Available Funds, in favor of Banca di Pisa e Fornacette. The intervention consisted in the Parent Company granting an interest-bearing bullet loan in the total amount of €100 million, with a term of 12 months at a fixed annual rate.

### Repurchase of 100% of the capital of Banca Sviluppo and corporate reorganization

On July 31, 2023, it was decided to exercise the option provided for in the articles of association to purchase all the preference shares of Banca Sviluppo (394,106 preferred shares, equal to 0.74% of share capital), for a total of about €900 thousand. Following the receipt of the authorization from the supervisory authorities on November 2, 2023, the Parent Company purchased the shares on November 28, 2023 and converted them into ordinary shares. On December 15, 2023 the Extraordinary Shareholders' Meeting of Banca Sviluppo adopted a new text of the articles of association to reflect the changes.

At the same time, on December 16, 2023, Banca Sviluppo proceeded with the transfer to BCC di Roma, pursuant to Article 58 of Legislative Decree 385/1993, of the legal relationships identifiable en bloc, deriving from the following contractual relationships of a banking and financial nature: (a ) no. 2,494 current account relationships, including the real and/or personal guarantees that support them; (b) no. 17 collection relationships represented by savings deposits; iii) no. 333 customer securities dossiers linked to current account relationships.

From this perspective, the possible corporate evolution scenarios of Banca Sviluppo are currently being evaluated.

### Windfall levy introduced with Article 26 of Decree Law 104 of August 10, 2023 ("Decree 104"), as amended in ratification

Decree Law 104 of August 10, 2023 ratified with amendments with Law 136 of October 9, 2023, levies, for 2023 only, an extraordinary windfall tax on banks determined in the amount of 40% of the net interest income – as reported under item 30 of individual financial statements for the 2023 financial year – at least 10% in excess of the net interest income reported for the 2021 financial year. The rules provide for a cap on the tax of 0.26% of the overall amount of risk-weighted assets (RWA) as at December 31, 2022, determined pursuant to paragraphs 3 and 4 of Article 92 of Regulation (EU) no. 575/2013. Paragraph 5-bis, introduced at the time of ratification, also provides that instead of paying the amount as determined above, banks that fall within the scope of application of the levy may, upon approval of the financial statements for the 2023 financial year, make a provision to a non-distributable equity reserve of an amount equal to two and a half times the amount of the tax due. For banks reporting losses or profits lower than the amount indicated above, the reserve shall be established or supplemented using profits for previous years, starting from the most recent, and, in priority order, other available equity reserves.

With specific regard to mutual banks, the third sentence of paragraph 5-bis provides that the profits allocated to the legal reserve pursuant to Article 37, paragraph 1, of the Consolidated Banking Act (Legislative Decree 385 of September 1, 1993) shall be considered to be allocated to the non-distributable reserve.

As regards any accounting impacts connected with the application of foregoing provisions, note that the special levy is not comparable to an income tax pursuant to IAS 12, as it is applied to the incremental change in net interest income (or, upon reaching the cap, to risk-weighted assets). It therefore falls within the scope of application of IFRIC 21 "Levies", which requires the recognition of the tax in profit or loss when the "obligating event" that gives rise to the liability to pay the levy (i.e. the specific activity or action that triggers the payment of the levy). In this case, the obligating event is the recognition of an amount for 2023 net interest income that exceeds the threshold specified in the legislation.

In this regard, all the affiliated banks that have a tax base for the purposes of the special levy have opted to not pay the special levy by proposing to allocate, at the time of approval of the financial statements, profit to non-distributable reserves in an amount equal to 2.5 times the amount of tax due. In determining the proposed allocation of profits at December 31, 2023 for the purposes of determining the profit potentially computable in own funds at the same date, the banks executed the proposed allocation. Together with a small number of mutual banks, the Parent Company and the banks in the direct scope do not have a tax base as defined for the purposes of the special levy.

In view of all of the above, no charge for the aforementioned tax was recognized in the individual and consolidated income statements at the end of the financial year.

### Global minimum tax

With the publication in the *Gazzetta Ufficiale* of Legislative Decree 209 of December 27, 2023,[27] 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.

With regard to additional implementation and coordination issues, the provisions of the legislative decree refer to the "dynamic" recommendations that may be developed within the Inclusive Framework and to a number of ministerial decrees that will have to be approved in the coming months. This circumstance, with specific reference to the

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

implementing legislation relating to the national minimum tax,[28] still leaves open a number of operational uncertainties regarding, for example, the exact definition of the companies in scope. This latter issue is currently the focus of discussions (taking account, among other things and to the extent relevant here, of the specific features of cooperative banking groups) between industry associations and the competent authorities.

Without prejudice to the fact that the first requirements that the companies in scope will have to comply with in terms of communications, returns and payments will apply to reporting periods after the financial year ended December 31, 2023, there are specific disclosure obligations governed by IAS 12 for the purposes of the financial statements at December 31, 2023.

In compliance with the provisions regarding disclosure requirements, we note the current regulatory framework - pending enactment of the aforementioned implementation and/or coordination measures – has a number of interpretative uncertainties, especially with regard to the scope of application of the rules referred to above.

More specifically, there are reasonable grounds to exclude cooperative banking groups (and specifically the various forms of affiliated mutual banks) from the subjective scope of application of the GMT, taking account of the specific regulatory and functional nature of these groups. In particular, in agreement with the parent companies of the cooperative banking groups, Federcasse has proposed – in discussions in institutional circles – an interpretation of the relevant legislation that underscores the fact that the Parent Company does not have a controlling interest in the mutual banks.

Considering this peculiar circumstance, the minimum tax should therefore not apply in the relationships between the Parent Company and the affiliated mutual banks, as participatory control in an essential precondition for the applicability and operation of the GMT.

### Banking Package 2021

In 2023, the “Banking Package 2021”, the package of rules transposing into European legislation the international standards issued by the Basel Committee at the end of 2017 (“Basel 3 Finalisation”), entered the final phase of the legislative process. The European Council and the European Parliament have reached a final agreement on the amendments to the Capital Requirements Directive (CRD6) and the Capital Requirements Regulation (CRR3). The two legislative proposals may still undergo legal review and must be approved by the plenary sessions of the two institutions before being published in the *Official Journal of the EU*. Publication is expected, approximately, between April and May 2024. The application of the new rules introduced by the CRR3 – which also concerns outstanding exposures at the transition date – is scheduled for January 1, 2025 with transitional regulations for some, limited, content. The transposition of the CRD6 rules into the national legislation of the Member States should take place within 18 months of the entry into force of the law. The CRR3 completes the transposition into EU law of the framework defined by the Basel Committee – most recently – at the end of 2017 – in respect of credit and counterparty, market and operational risks. The innovations introduced are not limited to the implementation of the Basel standards, but include rules that will require banks to identify, disclose and manage risks arising from environmental, social and governance (ESG) factors. Among the new features, we also highlight the revision of art.468 of the CRR which allows full sterilization, until December 31, 2025, of unrealized profits and losses (accumulated since the end of 2019) on debt securities of central, regional or local authorities classified under financial assets at FVOCI (fair value through other comprehensive income), thus re-proposing the prudential filter that was in force until 2022. The agreement reached within the Trilogue enable the European Banking Authority (EBA) to begin implementation of the new rules. In December 2023 the EBA published the “Roadmap on strengthening the prudential framework” which contains the roadmap to implement the approximately 140 mandates (RTS, ITS, guidelines, opinions and reports) that the banking package has delegated to the Supervisory Authority. Over half of these mandates will have to be developed in the next two years.

The Group launched projects to adapt to the new rules involving all the impacted areas (organization, operations, procedures, application, strategic, commercial), with the involvement of all entities within the scope both in the context of specific info-training programs and with reference to the extensive and complex activities of reconnaissance and analysis of data functional to the new treatments and the assignment of exposures in the portfolio to the new prudential categories.

### Interest rate risk on the supervisory banking book

On July 31, 2023 the EBA published the technical standards for the extension of supervisory reporting obligations to

[28] As noted, the tax will be applicable in most cases as from 2024.

the interest rate risk on the supervisory banking book (interest rate risk banking book - IRRBB). The new reporting requirements will be incorporated within the Common Reporting Framework (COREP) and will be based on the general reporting requirements for banks contained in Regulation (EU) no. 451/2021. The new reporting must comprise both the consolidated and individual levels and will replace the current IRRBB reporting process performed at the consolidated level only as part of the Short Term Exercise (STE). It essentially represents the methods with which the findings of the new Supervisory Outlier Tests (SOTs) will have to be transmitted to the ECB. The first reference date for the new reporting is September 30, 2024.

On December 19, 2023, the Bank of Italy issued the 44th update of Circular 285, transposing into Italian legislation the changes made at the European level in rules concerning interest rate risk and credit spreads on the banking book. Specifically, the EBA/GL/2022/14 guidelines have been implemented (implementing Article 84, paragraph 6, of the CRD V) for the identification, monitoring and management of the CSRBB, as well as the assessment of the adequacy of internal IRRBB measurement systems. For all the other provisions contained in the guidelines, the Bank of Italy has notified the EBA of its intention to comply by June 2024. The 44th update also includes references to the two delegated regulations to be issued by the European Commission in the coming months, for which the EBA has already published the Final Report containing the associated draft, namely:

- technical standards containing the modeling assumptions and shock scenarios to be applied as part of the SOTs for SREP purposes (implementing Article 98, paragraph 5a of the CRD V). The main innovations include the extension of SOTs from considering economic value alone to comprise net interest income and the introduction of explicit provisions concerning the treatment of inflation-linked instruments (independency scenario);
- technical standards that introduce a “standardized” methodology for measuring interest rate risk that considers the impact on equity and net interest income (pursuant to Article 84, paragraph 5 of the CRD V), the application of which may be required by supervisory authorities in the event that it deems the internal risk measurement systems involved to be unsatisfactory.

The Group carefully monitors regulatory developments in this area in the context of ongoing projects to ensure full compliance.

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

At 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.

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 current ECL calculation, which led to the definition of an activity plan for the improvement of the system.

As noted above, 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.

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 ordinary updating of the macroeconomic scenarios was applied in accordance with the most update of those scenarios (September 2023).

## 8. INTERNAL CAPITAL AND LIQUIDITY ADEQUACY ASSESSMENT PROCESS

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 2023[29] purposes transmitted by the ECB on January 23, 2023 to all bank/banking groups subject to the Single Supervisory Mechanism (SSM) and with the other specific requests/expectations communicated by the supervisory authorities.

The results of the analyses and assessments conducted were formalized in the Group “ICAAP and ILAAP package”, submitted to the supervisory authorities at the end of March 2023.

At the consolidated level, the assessments conducted within the ICAAP in the various perspectives considered (regulatory/internal 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 2025, the year in which the phase-in ends and only the fully-loaded version is considered, in the baseline scenario:

- for the CET 1 ratio, the capital buffer over OCR+P2G stands at around €6.3 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €5.6 billion;
- for the Tier 1 ratio, the capital buffer over OCR+P2G stands at around €5.3 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €4.6 billion;
- for the Total Capital ratio, the capital buffer over OCR+P2G stands at around €4.6 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €3.9 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 2025, in the baseline scenario, the capital buffer over the minimum regulatory requirement stood at about €8.9 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €6.3 billion;
- the regulatory MREL indicators (MREL and MREL subordinated calculated on the basis of overall risk exposures and overall leverage exposures), in the phase-in version, are positioned - over the entire time horizon considered - above the targets set in the 2023 MREL decision 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[30]) 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, over the lifetime of the plan (baseline scenario) the Group complies with capital requirements, with an estimated RTC ratio above the management threshold. Specifically, the ratio is equal to 213.01% in 2025, giving a capital buffer of about €7.3 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 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 analyses conducted show that at the end of 2025, the year in which the phase-in ends and only the fully-loaded version is considered, in an adverse scenario:

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

[30] 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%.

- for the CET 1 ratio, the capital buffer over OCR+P2G stands at around €3.3 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €2.6 billion;
- for the Tier 1 ratio, the capital buffer over OCR+P2G stands at around €2.3 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €1.6 billion;
- for the Total Capital ratio, the capital buffer over OCR+P2G stands at around €1.6 billion, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €1 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 150.61% in 2025, giving a capital buffer of about €3.6 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 2025 the LCR stands at 246% and the NSFR at 150%;
- 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 146% at the end of 2025. The NSFR exceeds the regulatory and management levels (i.e. Risk Tolerance and Risk Capacity) over the time horizon considered, standing at 132% at the end of 2025.

## 9. RISKS AND UNCERTAINTIES

In the current macroeconomic environment, the outlook for economic growth and inflation remains extremely uncertain. Geopolitical tensions continue to represent the main factor of instability, with potential downward impacts on growth linked to the fragmentation of international trade. Weaker global growth could further dampen economic activity in the euro area.

From an economic point of view, the risks are mainly linked to oil prices, even if price changes have been limited so far, and to global supply chains and transport costs, due to the riskiness of transit in the Red Sea and the difficulties faced by the Panama canal. The moderation of commodity prices at the international level reflects the difficulties in securing new oil production cuts by OPEC+ and the current record level of gas inventories in Europe. These factors, combined with weak demand, make further sharp price increases unlikely. However, the longer routes that many merchant ships have begun to take in response to the challenges of transit through the Suez and Panama canals have recently driven a new increase in maritime transport costs. These new strains on transport and commodity prices are accompanied by the risks of a still uncertain decline in inflation, since the slowing of the pace of price growth is still very much linked to energy prices and statistical effects, while core inflation is higher than central bank targets everywhere. Accordingly, expectations of more relaced monetary policy stances could be dashed, with a major impact on the expectations of operators and financial markets.

Last year, the euro area already experienced an increase in short-term risk-free rates connected with the monetary policy decisions of the ECB, accompanied by a substantial rise in medium/long-term credit spreads on American and European government securities, in particular Italian paper. In the latter part of the year, following the improvements observed in inflation in the USA and Europe, risk-free rates subsided across the board, especially in the long-term segment, and credit spreads on government issues narrowed.

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.

Finally, as regards the going-concern assumption, the directors affirm that they are reasonably certain that both the Company and the Group will continue as a going concern into the foreseeable future and, consequently, the financial statements at December 31, 2023 have been drawn up in accordance with this assumption. It should be noted in this regard that no evidence has been found in the consolidated financial statements or in the operating performance of the Group that could give rise to uncertainty concerning the going-concern assumption.

## 10. SUBSEQUENT EVENTS

### Mergers and corporate reorganization

With a notice of August 25, 2023, the ECB authorized the merger of Banca Patavina Credito Cooperativo di Sant'Elena e Piove di Sacco into BCC di Verona e Vicenza Credito Cooperativo - Società Cooperativa (now called BCC Veneta - Credito Cooperativo - Società cooperativa). The merger took legal effect in February 2024.

On October 31, 2023 an application for authorization was submitted to the ECB for 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. The merger is expected to take effect in the second quarter of 2024.

The partial non-proportional demerger of Banca di Pisa e Fornacette into two pools (which comprise virtually all of the bank's assets and liabilities) to the benefit of Banco Fiorentino and Banca di Pescia e Cascina, which are territorially adjacent, and the voluntary liquidation of Banca di Pisa e Fornacette are currently under development. A working group made up of the managements of the banks involved and the technical units of the Parent Company, with the participation of the Federazione delle banche di Credito Cooperativo della Toscana, is drafting the demerger plans drawn up pursuant to and for the purposes of Articles 2506 – 2506 bis of the Civil Code and the industrial incorporation plans.

The operation will make it possible to offer each of the demerged organizations and their shareholders and customers (who, once the operation has been completed, will be owned by the beneficiary banks resulting from the demerger) a new outlook and potential for development, with a consequent diversification of the risk of the shareholders of the demerged bank (Banca di Pisa e Fornacette) within the business strategies pursued by the beneficiaries of the demerger (Banco Fiorentino and Banca di Pescia e Cascina), safeguarding the interests of shareholders and customers by guaranteeing continuity in the management of mutualistic relationships and bank operations.

Following the positive evaluation of the boards of directors of the banks and the Parent Company, the plan will undergo evaluation by the ECB and, finally, submitted for approval by a resolution of the banks' shareholders' meetings.

### Sale of 51% stake in BCC Assicurazioni

On April 19, 2024, the sale of the 51% stake held in BCC Assicurazioni SpA to Assimoco S.p.A. was finalized. The transaction generated a capital gain of about €35 million for the Parent Company.

## 11. OTHER SIGNIFICANT INFORMATION

### Recovery Plan

The operating process underlying the preparation of the Recovery Plan is performed at a consolidated level, under the direct guidance of the Parent Company, which is responsible for drafting the Recovery Plan. The general responsibility for this document rests with the Board of Directors of the Parent Company, while its implementation and management is handled in accordance with the recovery governance guidelines and principles, which provide for the involvement of the Risk Committee and technical management bodies, such as the Recovery Committee as well as the boards of directors of the subsidiaries and the affiliated banks, if they are involved in the implementation of the recovery plan.

During the second half of 2023, the updating of the Group Recovery Plan for 2023 was completed, taking account of the expectations communicated by the supervisory authorities. In order to assess the Group's ability to restore the financial performance and standing of all Group companies in the event of particularly adverse circumstances, we have included three scenarios of severe macroeconomic and financial instability (systemic, idiosyncratic and combined), and a hypothetical cyber incident with serious financial implications.

Finally, taking into account the expectations of the supervisory authorities, a simulation (dry-run) was conducted in 2023 to test the operational aspects and activities envisaged in the execution of the Recovery Plan with regard to the implementation of recovery options and monitoring of the effectiveness of the Plan by verifying the operational feasibility of an option to support the Group's liquidity, on the basis of the Group Recovery Playbook.

### EBA EU-wide Stress Test

During the first half of 2023, the Group participated in the 2023 EBA EU-wide Stress Test conducted by the European Banking Authority (EBA) in collaboration with the Bank of Italy, the European Central Bank and the European Systemic Risk Board (ESRB).

The Group's fully-loaded Common Equity Tier 1 ratio (CET1r) at the end of the time horizon considered for the simulation (2025) stood at:

- 20.89% in the baseline scenario, an increase of about 255 basis points compared with the figure at December 2022;
- 14.00% in an adverse scenario,[31] a reduction of about 435 basis points compared with the figure at December 2022, but exceeding the prudential requirement for own funds, including the Pillar 2 Guidance supervisory expectation.

### Inspections of the Group

The following provides an overview of the state of progress of inspections conducted or under way by the supervisory authorities:

- an on-site inspection (OSI) was conducted by the European Central Bank (ECB) in 2022 concerning credit and counterparty risk in the area of asset quality of commercial real estate (CRE), with the aim of assessing compliance with and implementation of IFRS 9, as well as performing a credit quality review of selected portfolios and assessing credit risk processes. The final version of the Follow-up Letter containing the expectations of the supervisory authorities regarding the corrective actions to be taken was received on November 14, 2023, in response to which Iccrea Banca sent an action plan, currently being implemented;
- an inspection of the Group initiated by the Bank of Italy on November 17, 2022 and completed on March 10, 2023 was intended to assess compliance with the legislation governing the transparency of transactions and fairness in customer relations pursuant to Articles 54, 68 and 128 of Legislative Decree 385/1993. The findings of the inspections were received on June 6, 2023, in response to which Iccrea Banca sent an action plan, currently being implemented;
- a so-called "deep-dive" on the issue of forbearance was notified by the European Central Bank. Following the receipt of the Follow-up Letter on May 30, 2023 containing the recommendations formulated by the

[31] The adverse stress test scenario was defined by the ECB/ESRB and covers a three-year time horizon (2023-2025). The stress test was conducted assuming a static balance sheet at the end of December 2022 and, therefore, does not factor in business strategies and other managerial actions, nor is it an indication of the Group's future profits.

supervisory authorities, on July 3, 2023 Iccrea Banca submitted the initiatives, now being implemented, in response to the shortcomings identified;

- an inspection carried out by Consob from October 20, 2022 to October 17, 2023 regarding procedural aspects concerning the provision of investment services, with particular regard to product governance policy as well as the methods adopted to perform regulatory compliance checks; the inspection report is pending;
- an on-site inspection carried out by the ECB from December 5, 2022 (and completed on May 29, 2023) regarding IT risk in order to assess the management of IT operations, IT projects and IT security, including any complementary aspect relating to these issues. The final version of the Follow-up Letter containing the recommendations formulated by the supervisory authorities was received on November 10, 2023; the action plan by the Parent company was submitted on December 8 2023, and is currently being implemented;
- an on-site inspection carried out by the ECB from March 14, 2023 (and completed on June 9, 2023) regarding internal governance and risk management. The final version of the inspection report was received on January 25, 2024 while the preliminary version of the Follow-up Letter containing the recommendations formulated by the supervisory authorities is pending;
- an inspection carried out by the Bank of Italy from June 5, 2023 to September 29, 2023 regarding anti-money laundering. The results of the inspection were received on December 18, 2023. The Parent Company submitted its reply to the inspection report on February 17, 2024;
- an on-site inspection conducted in June 6-8, 2023 by the Bank of Italy concerning the ‘ABACO’ system (acronym for “collateralized bank assets”), i.e. the procedures used to manage the bank loans pledged to guarantee the credit operations of the Eurosystem. The letter containing the results of the inspection was received on October 16, 2023. The specified remedial actions are currently being implemented;
- an on-site inspection by the ECB regarding credit and counterparty risk started on September 25, 2023; the inspection intended to assess compliance with IFRS 9, carry out a credit quality review of certain portfolios, and evaluate the processes associated with credit risk. The onsite inspection was completed on December 15, 2023 and the preliminary version of the inspection report is pending;
- an assessment of the cyber resilience of the payment system managed by BCC Sistemi Informatici with respect to the “Cyber Resilience Oversight Expectations” (‘CROE’), which was begun by the Bank of Italy in June 2022 and completed in May 2023. The findings of the assessment were received on November 30, 2023 and the remedial action plan was transmitted in March 2024;
- a thematic review of climate and environmental risks conducted in 2022 by the ECB in order to verify the degree of compliance with the 13 expectations published in November 2021. On September 30, 2022 the final version of the feedback letter for the overall thematic review was received, in response to which the Parent Company submitted its action plan, which is currently being implemented. Moreover, on December 1, 2023 the final version of Expectations Decisions no. 1 (“Business Environment”) and no. 7 (“Risk Management Framework”) were received, both expiring in the first quarter of 2023, for which an update of the previously transmitted plan was requested (to be submitted to the supervisory authorities by March 31, 2024);
- a “deep-dive” addressing resolution issues was notified on October 18, 2023 by the Single Resolution Board (SRB) regarding the dry-run test of the execution of the “bail-in” resolution strategy conducted on June 20-23, 2023 at the Parent Company level, the outcomes of which were submitted to the Board of Directors on August 4, 2023. The implementation of the remedial actions transmitted by Iccrea Banca to the SRB on December 21, 2023 is currently under way. Also transmitted were the overall results of the testing exercise, obtained using a specific methodology developed during 2022 and agreed with the SRB. It uses qualitative drivers applied to the various activities performed.

## Treasury shares

At December 31, 2023 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".

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.

## Guarantee Scheme resources

The figures for the RAF for 2023 revealed a potential need for capital of €646 million, broken down between an Ex Ante Quota of €323 million and an Ex Post Quota of €323 million.

The Ex Ante resources of the Scheme are invested in liquid and collectible assets, subject to the limits and requirements set out in the associated investment policy. 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.

## Mutual banks under administration

On the basis of the EWS assessment of the technical situation conducted as at September 30, 2023, six affiliated banks are classified in risk classes from "E" to "G", corresponding to an overall "critical" risk situation, unchanged from the previous assessment. In the last quarter of 2023, the number of affiliated banks under administration came down to five, after a merger that took effect on November 13, 2023, resolving the critical situation of an affiliated bank, which thereby exited special administration.

## 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 prudential supervisory regulations 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 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 above.

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)

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

## Outlook

The macroeconomic environment, which is still strongly impacted by geopolitical tensions (the widening of the conflict in the Middle East and the further prolongation of the Russia-Ukraine conflict) and the uncertainties linked to the upcoming elections in in Europe and the United States, whose impact on political and economic conditions cannot be taken for granted, have created significant uncertainty concerning the outlook for operations.

Significant changes in the savings behavior and investment choices of Italian households will continue to characterize the next financial year, continuing the slowdown in the growth of households' financial wealth and the recomposition of liquidity (with a reallocation of savings from more liquid forms towards asset management products and securities).

After the significant growth registered in 2023, monetary policy rates are likely to have reached a ceiling and they will probably begin to decline towards the middle of this year, with clear consequences for interest rate spreads and expected net interest income.

Special attention will have to be paid to credit risk and pressures on operating costs as a result of the upcoming 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.

In this environment, 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 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 | SHAREHOLDERS' EQUITY |
|---|---|---|---|---|---|---|
| **Iccrea Banca SpA Financial Statements** | **1,401,045** | **688,670** | **51,464** | **-** | **87,920** | **2,229,099** |
| Financial statements of fully consolidated company | 1,004,957 | 10,476,251 | 14,244 | 30,139 | 1,788,333 | 13,313,924 |
| Financial statements of companies accounted for using equity method | | 19,342 | 17 | | 13,025 | 32,384 |
| Elimination of Group company dividends | | 128,797 | | | (128,797) | - |
| Adjustment of intercompany writedowns (revaluations) | | 166,815 | | | 5,020 | 171,835 |
| Goodwill | | 35,719 | | | - | 35,719 |
| Other consolidation adjustments | (115,800) | (1,850,774) | (18,365) | | 90,869 | (1,894,070) |
| **Consolidated shareholders' equity** | **2,290,202** | **9,663,583** | **47,360** | **30,139** | **1,857,606** | **13,888,890** |
| **Non-controlling interests** | | **(1,237)** | | | **1,237** | **-** |
| **Group shareholders' equity** | **2,290,202** | **9,664,820** | **47,360** | **30,139** | **1,856,369** | **13,888,890** |

## 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 shareholders' 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.[32]
- 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.

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

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

| Assets | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| 10. | Cash and cash equivalents | 4,956,422 | 1,189,908 |
| 20. | Financial assets measured at fair value through profit or loss | 1,494,234 | 1,675,821 |
| | a) financial assets held for trading | 227,299 | 254,493 |
| | b) financial assets designated as at fair value | 317,077 | 251,392 |
| | c) other financial assets mandatorily measured at fair value | 949,858 | 1,169,936 |
| 30. | Financial assets measured at fair value through other comprehensive income | 7,693,412 | 8,308,596 |
| 40. | Financial assets measured at amortized cost | 145,480,601 | 150,454,937 |
| | a) due from banks | 4,175,943 | 2,691,287 |
| | b) loans to customers | 141,304,658 | 147,763,650 |
| 50. | Hedging derivatives | 951,258 | 1,891,822 |
| 60. | Value adjustments of financial assets hedged generically (+/-) | (637,827) | (875,227) |
| 70. | Equity investments | 239,807 | 220,460 |
| 90. | Property, plant and equipment | 2,441,827 | 2,556,424 |
| 100. | Intangible assets | 174,591 | 167,559 |
| | - of which: goodwill | 39,011 | 19,689 |
| 110. | Tax assets | 1,346,472 | 1,748,374 |
| | a) current | 290,851 | 381,210 |
| | b) deferred | 1,055,621 | 1,367,164 |
| 120. | Non-current assets and disposal groups held for sale | 4,593,316 | 159,293 |
| 130. | Other assets | 5,778,531 | 6,044,491 |
| | **Total assets** | **174,512,644** | **173,542,458** |

| Liabilities and shareholders' equity | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| 10. | Financial liabilities measured at amortized cost | 152,795,976 | 156,829,575 |
| | a) due to banks | 17,922,680 | 28,518,246 |
| | b) due to customers | 122,522,919 | 119,115,747 |
| | c) securities issued | 12,350,377 | 9,195,582 |
| 20. | Financial liabilities held for trading | 111,588 | 236,482 |
| 40. | Hedging derivatives | 220,477 | 350,237 |
| 50. | Value adjustments of financial liabilities hedged generically (+/-) | (560) | (821) |
| 60. | Tax liabilities | 71,536 | 75,317 |
| | a) current | 43,061 | 52,120 |
| | b) deferred | 28,475 | 23,197 |
| 70. | Liabilities associated with assets held for sale | 4,320,959 | 247,896 |
| 80. | Other liabilities | 2,315,342 | 3,165,472 |
| 90. | Employee termination benefits | 215,977 | 225,719 |
| 100. | Provisions for risks and charges | 572,459 | 542,064 |
| | a) commitments and guarantees issued | 307,960 | 298,309 |
| | c) other provisions for risk and charges | 264,499 | 243,755 |
| 120. | Valuation reserves | 47,360 | (205,161) |
| 140. | Equity instruments | 30,139 | 30,139 |
| 150. | Reserves | 10,894,741 | 9,164,416 |
| 160. | Share premium reserves | 152,967 | 150,834 |
| 170. | Share capital | 2,290,202 | 2,291,261 |
| 180. | Treasury shares (-) | (1,382,888) | (1,380,525) |
| 190. | Non-controlling interests (+/-) | - | 32,501 |
| 200. | Net profit (loss) for the period (+/-) | 1,856,369 | 1,787,052 |
| | **Total liabilities and shareholders' equity** | **174,512,644** | **173,542,458** |

## CONSOLIDATED INCOME STATEMENT

| | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| 10. | Interest and similar income | 6,112,576 | 4,112,336 |
| | of which: interest income calculated using effective interest rate method | 5,824,514 | 4,301,100 |
| 20. | Interest and similar expense | (2,017,643) | (418,650) |
| **30.** | **Net interest income** | **4,094,933** | **3,693,686** |
| 40. | Fee and commission income | 1,616,762 | 1,554,884 |
| 50. | Fee and commission expense | (268,573) | (216,535) |
| **60.** | **Net fee and commission income (expense)** | **1,348,189** | **1,338,349** |
| 70. | Dividends and similar income | 24,057 | 24,352 |
| 80. | Net gain (loss) on trading activities | 36,216 | 65,106 |
| 90. | Net gain (loss) on hedging activities | 15,069 | (1,216) |
| 100. | Net gain (loss) on the disposal or repurchase of: | 61,841 | 41,152 |
| | a) financial assets measured at amortized cost | 92,229 | 109,409 |
| | b) financial assets measured at fair value through other comprehensive income | (31,463) | (68,731) |
| | c) financial liabilities | 1,075 | 474 |
| 110. | Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss | 9,427 | (58,342) |
| | a) financial assets and liabilities designated as at fair value | 2,088 | (15,488) |
| | b) other financial assets mandatorily measured at fair value | 7,339 | (42,854) |
| **120.** | **Gross income** | **5,589,732** | **5,103,087** |
| 130. | Net losses/recoveries for credit risk in respect of: | (401,937) | (476,682) |
| | a) financial assets measured at amortized cost | (401,745) | (473,822) |
| | b) financial assets measured at fair value through other comprehensive income | (192) | (2,860) |
| 140. | Gains/losses from contractual modifications without derecognition | (5,581) | (2,098) |
| **150.** | **Net income (loss) from financial operations** | **5,182,214** | **4,624,307** |
| **180.** | **Net income (loss) from financial and insurance operations** | **5,182,214** | **4,624,307** |
| 190. | Administrative expenses: | (3,151,010) | (3,053,751) |
| | a) personnel expenses | (1,898,920) | (1,804,514) |
| | b) other administrative expenses | (1,252,090) | (1,249,237) |
| 200. | Net provisions for risks and charges | (49,048) | (43,953) |
| | a) commitments and guarantees issued | (13,937) | (15,585) |
| | b) other net provisions | (35,111) | (28,368) |
| 210. | Net adjustments of property, plant and equipment | (199,740) | (190,511) |
| 220. | Net adjustments of intangible assets | (49,187) | (46,278) |
| 230. | Other operating expenses/income | 353,506 | 313,386 |
| **240.** | **Operating costs** | **(3,095,479)** | **(3,021,107)** |
| 250. | Profit (loss) from equity investments | 29,641 | (6,385) |
| 260. | Net gain (loss) from valuation at fair value of property, plant and equipment and intangible assets | (19,815) | (23,835) |
| 270. | Goodwill impairment | (971) | (1,522) |
| 280. | Profit (loss) from disposal of investments | (1,136) | (2,080) |
| **290.** | **Profit (loss) before tax on continuing operations** | **2,094,454** | **1,569,378** |
| 300. | Income tax expense from continuing operations | (334,514) | (214,937) |
| **310.** | **Profit (loss) after tax on continuing operations** | **1,759,940** | **1,354,441** |
| 320. | Profit (loss) after tax on discontinued operations | 97,666 | 441,668 |
| **330.** | **Net profit (loss) for the period** | **1,857,606** | **1,796,109** |
| 340. | Net profit (loss) for the period – non-controlling interests | 1,237 | 9,057 |
| **350.** | **Net profit (loss) for the period – shareholders of the Parent Company** | **1,856,369** | **1,787,052** |

## STATEMENT OF COMPREHENSIVE INCOME

| | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **10.** | **Net profit (loss) for the period** | **1,857,606** | **1,796,109** |
| | **Other comprehensive income net of taxes not recyclable to profit or loss** | **6,481** | **28,552** |
| 20. | Equity securities designated as at fair through other comprehensive income | 10,250 | 1,300 |
| 70. | Defined-benefit plans | (3,769) | 27,252 |
| | **Other comprehensive income net of taxes recyclable to profit or loss** | **224,911** | **(449,125)** |
| 130. | Cash-flow hedges | 57,855 | (66,932) |
| 150. | Financial assets (other than equity investments) measured at fair value through other comprehensive income | 153,811 | (298,508) |
| 160. | Non-current assets and disposal groups held for sale | 13,270 | - |
| 170. | Share of valuation reserves of equity investments accounted for with equity method | (26) | (83,685) |
| **200.** | **Total other comprehensive income net of taxes** | **231,392** | **(420,573)** |
| **210.** | **Comprehensive income (item 10 + 200)** | **2,088,998** | **1,375,536** |
| 220. | Comprehensive income - non-controlling interests | 1,237 | 9,057 |
| **230.** | **Comprehensive income - shareholders of the Parent Company** | **2,087,761** | **1,366,479** |

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 2023

| | | | | Allocation of net profit of previous period | | 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 31/12/2023 | Shareholders' equity at 31/12/2023 | Shareholders equity attributable to shareholders of the Parent Company | Non-controlling interests |
| Share capital: | | | | | | | | | | | | | | | | | |
| - ordinary shares | 2,293,857 | | 2,293,857 | 9,013 | | | 8,281 | (20,949) | | | | | | | 2,290,202 | 2,290,202 | |
| - other shares | 985 | | 985 | | | | | (985) | | | | | | | | | |
| Share premium reserve | 150,838 | | 150,838 | (743) | | | 2,872 | | | | | | | | 152,967 | 152,967 | |
| Reserves: | | | | | | | | | | | | | | | | | |
| - earnings | 9,213,484 | | 9,213,484 | 1,691,951 | | 17,316 | | | | | | | | | 10,922,751 | 10,923,988 | (1,237) |
| - other | (29,210) | | (29,210) | | | (37) | | | | | | | | | (29,247) | (29,247) | |
| Valuation reserves | (205,160) | | (205,160) | | | 21,128 | | | | | | | | 231,392 | 47,360 | 47,360 | |
| Equity instruments | 30,139 | | 30,139 | | | | | | | | | | | | 30,139 | 30,139 | |
| Treasury shares | (1,380,525) | | (1,380,525) | | | | 3,875 | (6,238) | | | | | | | (1,382,888) | (1,382,888) | |
| Net profit (loss) for the period | 1,796,109 | | 1,796,109 | (1,700,221) | (95,888) | | | | | | | | | 1,857,606 | 1,857,606 | 1,856,369 | 1,237 |
| **Total shareholders' equity** | **11,870,517** | | **11,870,517** | | **(95,888)** | **38,407.** | **15,028** | **(28,171)** | | | | | | **2,088,998** | **13,888,890** | **13,888,890** | |
| **Shareholders' equity - shareholders' of Parent Company** | **11,838,016** | | **11,838,016** | | **(95,888)** | **68,566** | **15,028** | **(24,591)** | | | | | | **2,087,761** | **13,888,890** | | |
| **Shareholders' equity - non-controlling interests** | **32,501** | | **32,501** | | | **(30,159)** | | **(3,580)** | | | | | | **1,237** | | | |

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 2022

| | | | | Allocation of net profit of previous year | | Change in the period | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | | | |
| | As at 31/12/2021 | Change in opening balance | As at 1/1/2022 | 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 31/12/2022 | Shareholders' equity at 31/12/2022 | Shareholders equity attributable to shareholders of the Parent Company | Non-controlling interests |
| Share capital: | | | | | | | | | | | | | | | | | |
| - ordinary shares | 2,360,652 | | 2,360,652 | | | | 10,554 | (22,061) | | | | | (55,287) | | 2,293,857 | 2,291,262 | 2,595 |
| - other shares | 985 | | 985 | | | | | | | | | | | | 985 | | 985 |
| Share premium reserve | 152,345 | | 152,345 | (804) | | | 3,294 | | | | | | (3,997) | | 150,838 | 150,835 | 3 |
| Reserves: | | | | | | | | | | | | | | | | | |
| - earnings | 8,769,369 | (3,971) | 8,765,398 | 412,312 | | 35,776 | | | | | | | | | 9,213,484 | 9,193,624 | 19,860 |
| - other | (35,389) | | (35,389) | | | (5,725) | | | | | | | 11,904 | | (29,210) | (29,210) | |
| Valuation reserves | 219,450 | | 219,450 | | | (4,041) | | | | | | | | (420,573) | (205,160) | (205,161) | 1 |
| Equity instruments | 30,139 | | 30,139 | | | | | | | | | | | | 30,139 | 30,139 | |
| Treasury shares | (1,263,218) | | (1,263,218) | | | | 3,348 | (120,655) | | | | | | | (1,380,525) | (1,380,525) | |
| Net profit (loss) for the period | 460,571 | | 460,571 | (411,508) | (49,063) | | | | | | | | | 1,796,109 | 1,796,109 | 1,787,052 | 9,057 |
| **Total shareholders' equity** | **10,694,904** | **(3,971)** | **10,690,933** | | **(49,063)** | **26,010** | **17,196** | **(142,716)** | | | | | **(47,380)** | **1,375,536** | **11,870,517** | **11,838,016** | **32,501** |
| **Shareholders' equity - shareholders' of Parent Company** | **10,628,703** | **(3,971)** | **10,624,732** | | **(48,999)** | **21,323** | **17,196** | **(142,716)** | | | | | | **1,366,479** | **11,838,016** | | |
| **Shareholders' equity - non-controlling interests** | **66,201** | | **66,201** | | **(64)** | **4,687** | | | | | | | **(47,380)** | **9,057** | **32,501** | | |

## STATEMENT OF CASH FLOWS: INDIRECT METHOD

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **A. OPERATING ACTIVITIES** | | |
| **1. Operations** | **2,771,797** | **2,656,907** |
| - net profit (loss) for the period (+/-) | 1,857,606 | 1,796,109 |
| - gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss(-/+) | 120,770 | (33,336) |
| - gains (losses) on hedging activities (-/+) | (22,619) | 5,175 |
| - net losses/recoveries on impairment (+/-) | 292,940 | 476,682 |
| - net adjustments of property, plant and equipment and intangible assets(+/-) | 249,899 | 236,789 |
| - net provisions for risks and charges and other costs/revenues (+/-) | 45,966 | 2,280 |
| - taxes, duties and tax credits to be settled (+/-) | 209,630 | 209,581 |
| - other adjustments (+/-) | 17,605 | (36,373) |
| **2. Net cash flows from/used in financial assets** | **2,525,568** | **4,177,765** |
| - financial assets held for trading | (94,852) | (12,012) |
| - financial assets designated as at fair value | (65,685) | 24,076 |
| - other assets mandatorily measured at fair value | 221,354 | 74,216 |
| - financial assets measured at fair value through other comprehensive income | 810,156 | (760,949) |
| - financial assets measured at amortized cost | 5,397,992 | 5,397,187 |
| - other assets | (3,743,398) | (544,753) |
| **3. Net cash flows from/used in financial liabilities** | **(1,075,142)** | **(6,881,842)** |
| - financial liabilities measured at amortized cost | (4,281,495) | (6,366,109) |
| - financial liabilities held for trading | (124,894) | 107,007 |
| - financial liabilities designated as at fair value | - | (256) |
| - other liabilities | 3,331,247 | (622,484) |
| **Net cash flows from/used in operating activities** | **4,222,222** | **(47,170)** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flow from** | **63,085** | **138,634** |
| - sales of equity investments | - | 1,400 |
| - dividends on equity investments | 24,057 | 4,373 |
| - sales of property, plant and equipment | 39,028 | 40,719 |
| - sales of intangible assets | - | 142 |
| - sales of subsidiaries and business units | - | 92,000 |
| **2. Cash flow used in** | **(420,540)** | **(409,754)** |
| - purchase of equity investments | - | (186,515) |
| - purchases of property, plant and equipment | (194,544) | (181,578) |
| - purchases of intangible assets | (37,276) | (41,661) |
| - purchases of subsidiaries and business units | (188,720) | - |
| **Net cash flows from/used in investing activities** | **(357,455)** | **(271,120)** |
| **C. FINANCING ACTIVITIES** | | |
| - issues/purchases of own shares | (2,363) | (117,307) |
| - dividend distribution and other | (95,888) | (49,063) |
| **Net cash flows from/used in investing activities** | **(98,251)** | **(166,370)** |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS** | **3,766,514** | **(484,660)** |

*Key*
(+) generated
(-) used in

## RECONCILIATION

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Cash and cash equivalents at beginning of period | 1,189,908 | 1,674,568 |
| Net increase/decrease in cash and cash equivalents | 3,766,514 | (484,660) |
| Cash and cash equivalents at end of period | 4,956,422 | 1,189,908 |

# NOTES TO THE CONSOLIDATED 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 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 financial statements have been prepared using the format and main schedules provided for in Circular no. 262 of December 22, 2005 – 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, as well as with the Communication of the Bank of Italy of March 14, 2023 – Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy.

These consolidated financial statements were prepared using the accounting standards IAS/IFRS endorsed by the European Commission and in force as of the reporting date.

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, either on a mandatory basis or with the option of early adoption, as from January 1, 2023.

| ENDORSEMENT REGULATION | IAS/IFRS AND SHORT DESCRIPTION | ENTRY INTO FORCE |
|---|---|---|
| 2036/2021 | **IFRS 17 Insurance contracts**<br>The standard seeks to improve investor understanding of the risk exposure, profitability and financial position of insurers.<br>On June 25, 2020, the IASB published the following amendments to IFRS 17:<br>• a reduction in costs with the simplification of certain requirements of the accounting standards;<br>• the simplification of statements of financial performance;<br>• the deferral of the effective date until 2023. | Annual reporting periods beginning on or after January 1, 2023. |
| 357/2022 | **Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies**<br>The amendments to IAS 1 are intended to improve disclosure of accounting policies and require companies to disclose material accounting policy information for their financial statements. | Annual reporting periods beginning on or after June 1, 2023. Early application is permitted. |
| 357/2022 | **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates**<br>The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. | Annual reporting periods beginning on or after June 1, 2023. Early application is permitted. |
| 1392/2022 | **Amendments to IAS 12 (Income Taxes)**<br>The amendments to IAS 12 are intended to specify how to account for deferred tax on transactions such as leases and decommissioning obligations. | Annual reporting periods beginning on or after June 1, 2023. Early application is permitted. |
| 1491/2022 | **Amendment of transition requirements of IFRS 17**<br>The amendment of the transition requirements of IFRS 17 allows entities to eliminate one-off classification differences in comparative information for the previous period at the date of initial application of IFRS 17 and IFRS 9 Financial Instruments. | Annual reporting periods beginning on or after January 1, 2023. |
| 2468/2023 | **Amendments to IAS 12 – Income taxes – International tax reform – Pillar Two model rules**<br>The changes, relating to the application of the provisions of Pillar Two of the OECD (so-called Global minimum tax - GMT) and to the additional financial statement information, provide for:<br>• the introduction of a temporary exception to the accounting for deferred taxes arising | Annual reporting periods beginning on or after January 1, 2023. |

| | | |
|---|---|---|
| | from the implementation of the Pillar Two model rules (the provisions of which entered force as from December 31, 2023 for Italy, with application from 2024) for entities affected by the International Tax Reform immediately after the publication of the amendments by the IASB and retrospectively in accordance with IAS 8.<br>• additional disclosure requirements from the financial statements for annual reporting period starting on or after January 1, 2023.<br>During periods when Pillar 2 legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. | |

The amendments and additions provided for in the endorsed amendments above did not have a material impact on the financial position or performance of the Group.

In relation to the amendments to IAS 12 endorsed with Regulation (EU) 2468/2023, quantitative analysis is still in progress, pending the definition of the implementation of the GMT legislation and coordination with the "dynamic" recommendations developed within the Inclusive Framework. The adoption of the amendments to IAS 12 had no impact on the Group's accounts at December 31, 2023.

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 |
|---|---|---|
| 2822/2023 | **Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current**<br>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:<br>• specify that the right to defer settlement must exist at the end of the reporting period;<br>• clarify that the classification is unaffected by management's intentions or expectations regarding the possibility of exercising the right to defer settlement;<br>• clarify how the terms of a liability impact its classification; and<br>• 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**<br>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 |
| To be determined | **Amendments to IAS 7 Statement of cash flows and IFRS 7 Financial instruments: disclosures**<br>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 |
| To be determined | **Amendments to IAS 21 Effects of changes in exchange rates**<br>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. |

Other rules issued by the IASB that have not yet entered force are not expected to have an impact on the financial position and performance of the Group.

## SECTION 2 - GENERAL PREPARATION PRINCIPLES

The consolidated financial statements, prepared in condensed form, consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' 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 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.

In addition to the financial statements in PDF format, which represents the official version, the Group also voluntarily prepares the financial statements in the XHTML format required under Delegated Regulation (EU) 2019/815 "ESEF - European Single Electronic Format".

Our country-by-country reporting as provided for in Article 89 of Directive 2013/36/EU of the European Parliament and the Council (CRD IV) is published on the Group's website.

## 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 shareholders' 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, using the tables provided for in Bank of Italy Circular no. 262/2005 – 8th update of November 17, 2022, as well as the Communication of the Bank of Italy of March 14, 2023 – Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy.

For the sake of a complete representation compared with the schedules provided for by the Bank of Italy, the notes also report the titles of sections for items in the financial statements that do not have values either for the period under review or the previous period.

## 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 116 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 S.C. | Bari | | | | |
| 3 | Banca dell'Elba - Credito Cooperativo S.C. | Portoferraio | | | | |
| 4 | Credito Cooperativo Mediocrati S.C. | Rende | | | | |
| 5 | Banca di Credito Cooperativo Magna Grecia – Società Cooperativa | Vallo della Lucania | | | | |
| 6 | Credito Cooperativo Romagnolo - BCC di Cesena E Gatteo - S.C. | Cesena | | | | |
| 7 | Emil Banca - Credito Cooperativo S.C. | Bologna | | | | |
| 8 | Banca Cremasca e Mantovana - Credito Cooperativo S.C. | Crema | | | | |
| 9 | Banca della Marca Credito Cooperativo S.C. | Orsago | | | | |
| 10 | Credito Cooperativo Friuli (CrediFriuli) S.C. | Udine | | | | |
| 11 | BCC dell'Adriatico Teramano S.C. | Atri | | | | |
| 12 | Banca di Credito Cooperativo della Calabria Ulteriore - Società Cooperativa | Crotone | | | | |
| 13 | BCC di Cagliari S.C. | Cagliari | | | | |
| 14 | Banca di Andria Di Credito Cooperativo S.C. | Andria | | | | |
| 15 | BCC Agrigentino S.C. | Agrigento | | | | |
| 16 | BCC di Napoli S.C. | Naples | | | | |
| 17 | BCC di Putignano S.C. | Putignano | | | | |
| 18 | Banca di Ancona e Falconara Marittima Credito Cooperativo S.C. | Ancona | | | | |
| 19 | BCC di Montepaone S.C. | Montepaone | | | | |
| 20 | BCC di Basciano S.C. | Basciano | | | | |
| 21 | BCC della Valle del Trigno S.C. | San Salvo | | | | |
| 22 | Valpolicella Benaco Banca Credito Cooperativo S.C. | Costermano Sul Garda | | | | |
| 23 | Banca Veronese Credito Cooperativo di Concamarise S.C. | Bovolone | | | | |
| 24 | Banca Centropadana Credito Cooperativo S.C. | Lodi | | | | |
| 25 | Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo S.C. | Firenzuola | | | | |
| 26 | BCC di Roma S.C. | Rome | | | | |
| 27 | BCC Brianza e Laghi S.C. | Lesmo | | | | |
| 28 | BCC di Altofonte e Caccamo S.C. | Altofonte | | | | |
| 29 | Banca di Anghiari E Stia - Credito Cooperativo S.C. | Anghiari | | | | |
| 30 | BCC di Avetrana S.C. | Avetrana | | | | |
| 31 | BCC Pordenonese e Monsile S.C. | Azzano Decimo | | | | |
| 32 | Banca di Pescia e Cascina - Credito Cooperativo S.C. | Pescia | | | | |

| | | Headquarters | Type of relationship (A) | Equity investment | | % share of votes (B) |
|---|---|---|---|---|---|---|
| | | | | Investor | % holding | |
| 33 | BCC di Arborea S.C. | Arborea | | | | |
| 34 | BCC Campania Centro - Cassa Rurale e Artigiana S.C. | Battipaglia | | | | |
| 35 | BCC di Bellegra S.C. | Bellegra | | | | |
| 36 | Cassa Rurale e Artigiana di Binasco - Credito Cooperativo S.C. | Binasco | | | | |
| 37 | Banca delle Terre Venete Credito Cooperativo S.C. | Vedelago | | | | |
| 38 | BCC di Busto Garolfo e Buguggiate S.C. | Busto Garolfo | | | | |
| 39 | Cassa Rurale e Artigiana di Cantù BCC S.C. | Cantù | | | | |
| 40 | BCC di Capaccio Paestum e Serino S.C | Capaccio Paestum | | | | |
| 41 | BCC Abruzzese - Cappelle Sul Tavo S.C. | Cappelle Sul Tavo | | | | |
| 42 | BCC del Basso Sebino S.C. | Capriolo | | | | |
| 43 | BCC di Carate Brianza S.C. | Carate Brianza | | | | |
| 44 | Credito Cooperativo Di Caravaggio Adda e Cremasco - Cassa Rurale S.C. | Caravaggio | | | | |
| 45 | BCC di Terra D'Otranto S.C. | Carmiano | | | | |
| 46 | Banca Alpi Marittime Credito Cooperativo Carrù S.C. | Carrù | | | | |
| 47 | BCC di Venezia, Padova E Rovigo - Banca Annia S.C. | Cartura | | | | |
| 48 | BCC di Milano S.C. | Carugate | | | | |
| 49 | Credito Padano Banca di Credito Cooperativo S.C. | Cremona | | | | |
| 50 | Banca dei Sibillini - Credito Cooperativo Di Casavecchia S.C. | Pieve Torina | | | | |
| 51 | Credito Cooperativo Valdarno Fiorentino Banca di Cascia S.C. | Reggello | | | | |
| 52 | Cassa Rurale e Artigiana di Castellana Grotte Credito Cooperativo S.C. | Castellana Grotte | | | | |
| 53 | BCC di Castiglione Messer Raimondo e Pianella S.C. | Castiglione Messer Raimondo | | | | |
| 54 | Banca del Piceno Credito Cooperativo S.C. | Acquaviva Picena | | | | |
| 55 | BCC dell'Oglio e Del Serio S.C. | Calcio | | | | |
| 56 | Banca della Valsassina Credito Cooperativo S.C. | Cremeno | | | | |
| 57 | BCC di Fano S.C. | Fano | | | | |
| 58 | BCC di Alba, Langhe, Roero e Del Canavese S.C. | Alba | | | | |
| 59 | Credito Cooperativo Cassa Rurale Ed Artigiana Di Erchie S.C. | Erchie | | | | |
| 60 | Credito Cooperativo Ravennate, Forlivese E Imolese S.C. | Faenza | | | | |
| 61 | Banca di Filottrano - Credito Cooperativo di Filottrano e Camerano S.C. | Filottrano | | | | |
| 62 | BCC di Gaudiano Di Lavello S.C. | Lavello | | | | |
| 63 | Banca di Pisa e Fornacette Credito Cooperativo S.C. | Pisa | | | | |
| 64 | BCC di Gambatesa S.C. | Gambatesa | | | | |
| 65 | BCC Agrobresciano S.C. | Ghedi | | | | |
| 66 | BCC Basilicata - Credito Cooperativo Di Laurenzana e Comuni Lucani S.C. | Laurenzana | | | | |
| 67 | BCC Valle Del Torto S.C. | Lercara Friddi | | | | |
| 68 | BCC di Leverano S.C. | Leverano | | | | |
| 69 | BCC di Canosa - Loconia S.C. | Canosa Di Puglia | | | | |
| 70 | BCC di Lezzeno S.C. | Lezzeno | | | | |
| 71 | Chiantibanca - Credito Cooperativo S.C. | Monteriggioni | | | | |
| 72 | BCC del Garda - BCC Colli Morenici Del Garda S.C. | Montichiari | | | | |
| 73 | BCC di Mozzanica S.C. | Mozzanica | | | | |
| 74 | BCC di Marina Di Ginosa S.C. | Ginosa | | | | |
| 75 | BCC di Nettuno S.C. | Nettuno | | | | |
| 76 | BCC del Metauro S.C. | Terre Roveresche | | | | |
| 77 | BCC di Ostra e Morro D'alba S.C. | Ostra | | | | |
| 78 | BCC di Ostra Vetere S.C. | Ostra Vetere | | | | |
| 79 | BCC di Ostuni S.C. | Ostuni | | | | |

| | | Headquarters | Type of relationship (A) | Equity investment | | % share of votes (B) |
|---|---|---|---|---|---|---|
| | | | | Investor | % holding | |
| 80 | BCC di Pachino S.C. | Pachino | | | | |
| 81 | Banca di Udine Credito Cooperativo S.C. | Udine | | | | |
| 82 | Credito Cooperativo Cassa Rurale e Artigiana di Paliano S.C. | Paliano | | | | |
| 83 | Banca Versilia Lunigiana e Garfagnana - Credito Cooperativo S.C. | Pietrasanta | | | | |
| 84 | Banca Patavina Credito Cooperativo di Sant'Elena e Piove di Sacco S.C. | Sant'Elena | | | | |
| 85 | BCC di Pergola e Corinaldo S.C. | Pergola | | | | |
| 86 | BCC Vicentino - Pojana Maggiore S.C. | Pojana Maggiore | | | | |
| 87 | BCC di Pontassieve S.C. | Pontassieve | | | | |
| 88 | Cassa Rurale e Artigiana dell'Agro Pontino - BCC S.C. | Pontinia | | | | |
| 89 | BCC di Pratola Peligna S.C. | Pratola Peligna | | | | |
| 90 | Centromarca Banca - Credito Cooperativo di Treviso e Venezia, S.C. | Treviso | | | | |
| 91 | BCC di Recanati e Colmurano S.C. | Recanati | | | | |
| 92 | Banca di Ripatransone e Del Fermano - Credito Cooperativo S.C. | Ripatransone | | | | |
| 93 | Cassa Rurale e Artigiana di Rivarolo Mantovano Credito Cooperativo S.C. | Rivarolo Mantovano | | | | |
| 94 | BCC della Provincia Romana S.C. | Riano | | | | |
| 95 | Banca di Verona e Vicenza - Credito Cooperativo S.C. | Fara Vicentino | | | | |
| 96 | Banca del Valdarno - Credito Cooperativo S.C. | San Giovanni Valdarno | | | | |
| 97 | Banca di Pesaro Credito Cooperativo S.C. | Pesaro | | | | |
| 98 | BCC di Santeramo In Colle S.C. | Santeramo In Colle | | | | |
| 99 | Banca TEMA - Terre Etrusche di Valdichiana e di Maremma S.C. | Chiusi | | | | |
| 100 | BCC di Scafati e Cetara S.C. | Scafati | | | | |
| 101 | BCC Appulo Lucana S.C. | Spinazzola | | | | |
| 102 | BCC di Staranzano e Villesse S.C. | Staranzano | | | | |
| 103 | Banca Centro Credito Cooperativo Toscana - Umbria S.C. | Sovicille | | | | |
| 104 | Cassa Rurale - BCC di Treviglio S.C. | Treviglio | | | | |
| 105 | BCC di Triuggio e della Valle del Lambro S.C. | Triuggio | | | | |
| 106 | BCC della Valle del Fitalia S.C. | Longi | | | | |
| 107 | Banca Alta Toscana Credito Cooperativo S.C. | Quarrata | | | | |
| 108 | BCC Bergamasca e Orobica S.C. | Cologno Al Serio | | | | |
| 109 | Banca Don Rizzo - Credito Cooperativo della Sicilia Occidentale S.C. | Alcamo | | | | |
| 110 | BCC dei Colli Albani S.C. | Genzano di Roma | | | | |
| 111 | BCC G. Toniolo di San Cataldo S.C. | San Cataldo | | | | |
| 112 | Banca San Francesco Credito Cooperativo S.C. | Canicattì | | | | |
| 113 | BCC delle Madonie S.C. | Petralia Sottana | | | | |
| 114 | BCC Terra Di Lavoro - S. Vincenzo De' Paoli S.C. | Casagiove | | | | |
| 115 | BCC degli Ulivi - Terra di Bari S.C. | Palo Del Colle | | | | |
| 116 | RivieraBanca Credito Cooperativo di Rimini e Gradara S.C. | Rimini | | | | |
| 117 | BCC di San Marco Dei Cavoti e Del Sannio - Calvi S.C. | San Marco Dei Cavoti | | | | |
| 118 | BCC Risparmio&Previdenza SGrpA | Milan | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 119 | BCC Leasing SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 120 | BCC Factoring SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 121 | Banca Sviluppo SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 122 | BCC Financing SpA | Udine | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 123 | BCC Gestione Crediti SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 124 | BCC Sinergia SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 125 | BCC Beni Immobili Srl | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 126 | BCC Rent&Lease SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 127 | BCC CreditoConsumo SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 128 | BCC Sistemi Informatici SpA | Milan | 1 | Iccrea Banca SpA | 99.4 | 99.4 |

| | | Headquarters | Type of relationship (A) | Equity investment | | % share of votes (B) |
|---|---|---|---|---|---|---|
| | | | | Investor | % holding | |
| 129 | BCC Servizi Assicurativi Srl | Milan | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 130 | BCC POS SpA | Rome | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 131 | Sigest Srl | Calcinaia | 1 | BCC Pisa e Fornacette Credito Cooperativo S.C. | 100.0 | 100.0 |
| 132 | BCC Vita SpA | Milan | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 133 | BCC Assicurazioni SpA | Milan | 1 | Iccrea Banca SpA | 100.0 | 100.0 |
| 134 | Fondo Securis Real Estate | Rome | 4 | Iccrea Banca SpA | 78.0 | 78.0 |
| | | | | BCC Brianza e Laghi S.C. | 1.2 | 1.2 |
| 135 | Fondo Securis Real Estate II | Rome | 4 | Iccrea Banca SpA | 84.8 | 84.8 |
| 136 | Fondo Securis Real Estate III | Rome | 4 | Iccrea Banca SpA | 79.5 | 79.5 |
| 137 | Fondo Il Ruscello | Milan | 4 | BCC di Milano S.C. | 100.0 | 100.0 |
| 138 | Fondo Sistema BCC | Rome | 4 | BCC di Milano S.C. | 44.4 | 44.4 |
| | | | | Credito Cooperativo Di Caravaggio Adda e Cremasco - Cassa Rurale S.C. | 8.9 | 8.9 |
| | | | | BCC del Garda - BCC Colli Morenici Del Garda S.C. | 29.4 | 29.4 |
| | | | | BCC di San Marco Dei Cavoti e Del Sannio - Calvi S.C. | 10.6 | 10.6 |
| 139 | Asset Bancari V | Rome | 4 | BCC di Milano S.C. | 16.0 | 16.0 |
| | | | | Banca di Anghiari e Stia - Credito Cooperativo S.C. | 16.0 | 16.0 |
| | | | | BCC del Garda - BCC Colli Morenici Del Garda S.C. | 19.3 | 19.3 |
| | | | | Cassa Rurale e Artigiana di Binasco - Credito Cooperativo S.C. | 4.0 | 4.0 |
| | | | | Credito Padano Banca di Credito Cooperativo S.C. | 11.3 | 11.3 |
| | | | | Banca Cremasca e Mantovana - Credito Cooperativo S.C. | 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 the 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 December 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[33] 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.

[33] 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 116 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 shareholders' 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. 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 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 December 31, 2023 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 December 31, 2023 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 December 31, 2023, 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. This reporting package is approved by the boards of directors of the companies.

## 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 March 28, 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 tax credits under the “Cure Italy” and “Save Italy” Decrees;
- the determination of the fair value of financial instruments to be used for financial reporting purposes;
- the estimation and assumptions concerning the recoverability of deferred tax assets;
- 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 notes to the financial statements.

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 availability of new information or greater experience (e.g. ongoing inflationary dynamics, evolution of the Russian-Ukrainian conflict).

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

### Calculating the ECL for performing credit exposures

At 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.

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.

As noted above, 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.

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 climate & environmental (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 ordinary updating of the macroeconomic scenarios was applied in accordance with the most update of those scenarios (September 2023).

### Impairment testing of equity investments and goodwill

In compliance with IAS 36, at each reporting date, the Group companies shall verify that there is no objective evidence that the carrying amounts of equity investments and goodwill is not recoverable on the basis of the common guidelines, criteria and methodological models developed by the Parent Company.

With particular regard to the goodwill recognized by the Group banks, the so-called dividend discount model (DDM) in the excess capital variant (which estimates the value of a company on the basis of future dividends attributable to shareholders) was used for the full company CGU, while the discounted cash flow (DCF) in the "levered variant" (which estimates the value of the economic capital of a company as the sum of the present value of cash flows to the shareholders that it will be able to generate over a specific explicit planning period for prospective performance/financial data and the residual value at the end of that period, discounted at a rate equal to the cost of equity) was used for the branches acquired CGU.

At December 31, 2023 the above approaches, which are discussed in greater detail in Part B of the notes to the financial statements, have been applied on the basis of 2024-2026 forecasts of each Group company.

### Probability testing of DTAs

The probability testing conducted to verify the conditions for continuing to recognize existing and new deferred tax assets in the financial statements was conducted on the basis of the common criteria and methods adopted by the Group, estimating the profit or tax loss (IRES/IRAP) over a forecast period deemed reasonable and verifying that this would be sufficient to ensure recovery of the total amount of DTAs requiring testing.

The estimates and assumptions concerning the recoverability of tax assets in respect of prepaid taxes, which are discussed in more detail in part B of the notes to the financial statements, have been applied on the basis of 2024-2027 forecasts of each Group company, based on the results of the 2024-2026 corporate strategic plan developed in accordance with the Group’s strategic guidelines.

### 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, as discussed in in the reports on operations accompanying these and the previous financial statements, which readers are invited to consult for further information.

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.

## 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 credits 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, 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.

### Covered bonds

In 2021, the Group initiated a covered bond issue program, under which a number of Group banks sold high credit quality assets to a vehicle in a multi-originator transaction. 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.

### 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.

In respect of this types of investments, a liquidity discount (“*liquidity adjustment*”) is determined to be applied to the net asset value (NAV) of the fund. 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.

### Rights of use in leases

As with owned assets, IFRS 16 establishes that right-of-use assets acquired through leases shall be assessed for evidence of impairment. If so, the carrying amount of the asset is compared against its recoverable value, equal to the greater of its fair value and its value in use, the latter understood as the present value of the future cash flows originating from the asset. Any impairment losses are recognized in profit or loss.

In identifying events or situations that could indicate permanent impairment losses, IAS 36 requires entities to consider indicators deriving from:

- internal sources of information, such as evidence of obsolescence and/or physical damage of the asset, restructuring plans and branch closures;
- external sources of information, such as an increase in interest rates or other market rates of return on investments which can cause a significant decrease in the recoverable value of the asset.

As at December 31, 2023, the Group assessed developments in the rates used to discount lease payments and the possible presence of unused leased properties. At reporting date, no critical factors were found regarding the stability of the recoverable value of the right-of -use assets recognized in respect of leases.

### Windfall levy introduced with Article 26 of Decree Law 104 of August 10, 2023 ("Decree 104"), as amended in ratification

Decree Law 104 of August 10, 2023 ratified with amendments with Law 136 of October 9, 2023, levies, for 2023 only, an extraordinary windfall tax on banks determined in the amount of 40% of the net interest income – as reported under item 30 of individual financial statements for the 2023 financial year – at least 10% in excess of the net interest income reported for the 2021 financial year. The rules provide for a cap on the tax of 0.26% of the overall amount of risk-weighted assets (RWA) as at December 31, 2022, determined pursuant to paragraphs 3 and 4 of Article 92 of Regulation (EU) no. 575/2013. Paragraph 5-bis, introduced at the time of ratification, also provides that instead of paying the amount as determined above, banks that fall within the scope of application of the levy may, upon approval of the financial statements for the 2023 financial year, make a provision to a non-distributable equity reserve of an amount equal to two and a half times the amount of the tax due. For banks reporting losses or profits lower than the amount indicated above, the reserve shall be established or supplemented using profits for previous years, starting from the most recent, and, in priority order, other available equity reserves.

With specific regard to mutual banks, the third sentence of paragraph 5-bis provides that the profits allocated to the legal reserve pursuant to Article 37, paragraph 1, of the Consolidated Banking Act (Legislative Decree 385 of September 1, 1993) shall be considered to be allocated to the non-distributable reserve.

As regards any accounting impacts connected with the application of foregoing provisions, note that the special levy is not comparable to an income tax pursuant to IAS 12, as it is applied to the incremental change in net interest income (or, upon reaching the cap, to risk-weighted assets). It therefore falls within the scope of application of IFRIC 21 "Levies", which requires the recognition of the tax in profit or loss when the "obligating event" that gives rise to the liability to pay the levy (i.e. the specific activity or action that triggers the payment of the levy). In this case, the obligating event is the recognition of an amount for 2023 net interest income that exceeds the threshold specified in the legislation.

In this regard, all the Group banks that have a tax base for the purposes of the special levy have opted to not pay the special levy by proposing to allocate, at the time of approval of the financial statements, profit to non-distributable reserves in an amount equal to 2.5 times the amount of tax due. In determining the proposed allocation of profits at December 31, 2023 for the purposes of determining the profit potentially computable in own funds at the same date, the banks executed the proposed allocation.

No charge for the aforementioned tax was recognized in the individual and consolidated income statements at the end of the financial year.

## Global minimum tax

With the publication in the *Gazzetta Ufficiale* of Legislative Decree 209 of December 27, 2023,[34] 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.

With regard to additional implementation and coordination issues, the provisions of the legislative decree refer to the "dynamic" recommendations that may be developed within the Inclusive Framework and to a number of ministerial decrees that will have to be approved in the coming months. This circumstance, with specific reference to the implementing legislation relating to the national minimum tax[35], still leaves open a number of operational uncertainties regarding, for example, the exact definition of the companies in scope. This latter issue is currently the focus of discussions (taking account, among other things and to the extent relevant here, of the specific features of cooperative banking groups) between industry associations and the competent authorities.

Without prejudice to the fact that the first requirements that the companies in scope will have to comply with in terms of communications, returns and payments will apply to reporting periods after the financial year ended December 31, 2023, there are specific disclosure obligations governed by IAS 12 for the purposes of the financial statements at December 31, 2023.

In compliance with the provisions regarding disclosure requirements, we note the current regulatory framework - pending enactment of the aforementioned implementation and/or coordination measures – has a number of interpretative uncertainties, especially with regard to the scope of application of the rules referred to above.

More specifically, there are reasonable grounds to exclude cooperative banking groups (and specifically the affiliated mutual banks) from the subjective scope of application of the GMT, taking account of the specific regulatory and functional nature of these groups. In particular, in agreement with the parent companies of the cooperative banking groups, Federcasse has proposed – in discussions in institutional circles – an interpretation of the relevant legislation that underscores the fact that the Parent Company does not have a controlling interest in the mutual banks.

Considering this peculiar circumstance, the minimum tax should therefore not apply in the relationships between the Parent Company and the affiliated mutual banks, as participatory control in an essential precondition for the applicability and operation of the GMT.

## Correspondent bank operations

On December 31, 2023, Iccrea Banca and AllFunds Bank, one of the world's leading B2B WealthTech platforms in the funds industry, signed an agreement under which AllFunds acquired the correspondent bank operations of Iccrea Banca, which had already been reclassified and measured in accordance with IFRS 5 as at September 30, 2023. Among other things, the agreement provides for Iccrea Banca to grant commercial exclusivity to the buyer for five years, renewable for a further five at the buyer's discretion.

The price paid to Iccrea for the sale of the correspondent bank operations was €100 million. The difference between

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

[35] As noted, the tax will be applicable in most cases as from 2024.

the value of the net assets sold and this consideration was recognized through profit or loss. It is expected that the price will be subject to adjustment in favor of Iccrea based on the business volumes produced. The agreement also provides for a claw-back clause in favor of AllFunds, the exercise of which is linked not only to underperformance on volumes but also to the withdrawal from the sub-placement agreement of a significant proportion of the participating mutual banks.

At the reporting date, the fair value of the potential price adjustments reported above was not quantifiable in the absence of the conditions for their measurement.

### 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.

### Other issues

The consolidated financial statements have been audited by Mazars Italia 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.

## 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[36] 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.

[36] 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.

### 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 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 ("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:

- assets 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 32 a) 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 company 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 ("no recycling");

- 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[37] - 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.

[37] 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.

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 so-called 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;
- 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 are excluded from the application of this criterion.

With regard to the securities portfolio, the functional methodology for staging performing exposures is based solely on quantitative information. Although they consist in comparing the PD/rating class at the origination date and PD/rating class at the reporting date, the approach used makes extensive use of the low credit risk exemption for the purpose of staging exposures, even in the presence of information on credit risk measures at the date of origination. In particular, exposures with a PD less than or equal to a specified threshold at the reporting date are allocated to stage 1. 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.

In order to condition the risk parameters for future macroeconomic scenarios, the Group uses multipliers (or macroeconomic conditioning factors) that, updated periodically, make it possible to obtain projections of changes in the riskiness of the portfolio (PD) and losses generated by default of the debtor counterparties (LGD), based on a defined time horizon and certain reference macroeconomic variables.

For the purpose of applying these multipliers, the Group associates the probability of occurrence on a judgmental basis to each scenario. The probability of occurrence of each scenario are used as weights in the calculation of the average multiplier associated with each calendar year.

More specifically, three calendar years are considered subsequent to the estimation date of the satellite models (reference date), while for subsequent years, the multiplier used is equal to the arithmetic mean of the multipliers of the three years.

With regard to exposures classified in stage 3 (credit-impaired assets), even if the definition of "impaired loans" in IAS 39 and IFRS 9 is substantially the same, the inclusion of forward-looking information, such as the consideration of alternative recovery scenarios, incorporated a number of methodological peculiarities. In particular, scenarios for the sale of credit exposures were considered in connection with possible sales of impaired positions, in line with the company's objectives for reducing non-performing assets, to which a probability of realization was attributed for consideration in the context of the overall assessments. It follows that, for transferrable non-performing loans, in order to determine the overall expected loss of exposures, the "ordinary" scenario assuming a recovery strategy based on the recovery of receivables through legal action, the enforcement of guarantees, etc., has been accompanied by scenarios that envisage the sale of the loan as a recovery strategy.

Note that in order to factor in the effects of the pandemic in the calculation of impairment, a so-called COVID-19 effect is considered in the determination of impairment, with the aim of considering the effects of the pandemic both on the macroeconomic forecasts that contribute to the determination of the expected credit loss and in the stage allocation process for exposures, with specific treatments of the portfolio subject to economic support measures.

**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 shareholders' 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.

## Insurance contracts

The following areas were the main focus of the provisions of IFRS 17:

- initial recognition of the insurance liability;
- grouping of contracts through the identification of “portfolios” of insurance contracts (i.e. groups of contracts that share similar risks and are managed together);
- measurement models applicable to contracts;
- transition rules upon first application;
- subsequent measurement of the insurance liability;
- measurement of insurance revenue;
- performance measurement.

## 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 2020, 2021, 2022 and 2023.

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 year.

### 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 | 1,459,174 | - |

### A.3.2 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, FAIR VALUE AND IMPACT ON COMPREHENSIVE INCOME

No financial assets were reclassified in 2023.

### A.3.3 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL AND EFFECTIVE INTEREST RATE

The disclosures required by IFRS 7 12C do not apply.

## 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, as well 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 and yield curves;
- 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 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 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 2023, the percentage adjustment applied was respectively 4.84% for real estate funds, 12.41% for private debt–bad loan funds, 5.30% for private debt – NPL UTP funds, 4.33% for private debt – Performing loan funds, 1.57% for private debt – bond funds and 8.23% 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

| | 31/12/2023 | | | 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Financial assets measured at fair value through profit or loss | 494,834 | 639,833 | 359,567 | 335,378 | 1,057,325 | 283,118 |
| a) financial assets held for trading | 92,514 | 134,522 | 263 | 26,022 | 227,989 | 482 |
| b) financial assets designated as at fair value | 315,788 | - | 1,289 | 249,872 | - | 1,519 |
| c) other financial assets mandatorily measured at fair value | 86,532 | 505,311 | 358,015 | 59,483 | 829,336 | 281,116 |
| 2. Financial assets measured at fair value through comprehensive income | 7,192,759 | 446,739 | 53,914 | 7,794,642 | 445,992 | 67,962 |
| 3. Hedging derivatives | 443 | 950,814 | - | 788 | 1,891,034 | - |
| 4. Property, plant and equipment | - | - | 360,826 | - | - | 404,527 |
| 5. Intangible assets | - | - | - | - | - | - |
| **Total** | **7,688,036** | **2,037,386** | **774,307** | **8,130,809** | **3,394,351** | **755,606** |
| 1. Financial liabilities held for trading | 9,559 | 102,029 | - | 5,093 | 231,389 | - |
| 2. Financial liabilities designated as at fair value | - | - | - | - | - | - |
| 3. Hedging derivatives | 176 | 220,301 | - | 159 | 350,078 | - |
| **Total** | **9,735** | **322,330** | **-** | **5,252** | **581,467** | **-** |

## A.4.5.2 CHANGE FOR THE PERIOD IN FINANCIAL ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

| | Financial assets measured at fair value through profit or loss | | | | Financial assets measured at fair value through other comprehensive income | Hedging derivatives | Property, plant and equipment | Intangible assets |
|---|---|---|---|---|---|---|---|---|
| | Total | of which: a) financial assets held for trading | of which: b) financial assets at fair value | of which: c) other financial assets mandatorily measured at fair value | | | | |
| **1. Opening balance** | **283,118** | **482** | **1,519** | **281,116** | **67,962** | **-** | **404,527** | **-** |
| **2. Increases** | **111,545** | **-** | **72** | **111,474** | **4,384** | **-** | **-** | **-** |
| 2.1 Purchases | 74,068 | - | - | 74,068 | 2,092 | - | - | - |
| 2.2 Profits recognized in: | 9,107 | - | 71 | 9,035 | 652 | - | - | - |
| 2.2.1 Income statement | 9,107 | - | 71 | 9,035 | 138 | - | - | - |
| - of which: capital gains | 8,009 | - | 70 | 7,938 | 63 | - | - | - |
| 2.2.2 Shareholders' equity | - | X | X | X | 514 | - | - | - |
| 2.3 Transfers from other levels | 17,601 | - | - | 17,601 | - | - | - | - |
| 2.4 Other increases | 10,769 | - | 1 | 10,770 | 1,640 | - | - | - |
| **3. Decreases** | **35,096** | **219** | **302** | **34,575** | **18,432** | **-** | **43,701** | **-** |
| 3.1 Sales | 3,177 | 184 | - | 2,993 | 3,094 | - | 23,886 | - |
| 3.2 Repayments | 7,496 | - | 261 | 7,234 | 2,549 | - | - | - |
| 3.3 Losses recognized in: | 18,282 | 2 | 41 | 18,239 | 2,134 | - | 19,815 | - |
| 3.3.1 Income statement | 18,282 | 2 | 41 | 18,239 | 875 | - | 19,815 | - |
| - of which: capital losses | 13,151 | - | 41 | 13,110 | 150 | - | 19,815 | - |
| 3.3.2 Shareholders' equity | - | X | X | X | 1,259 | - | - | - |
| 3.4 Transfers to other levels | 2,979 | - | - | 2,979 | 10,272 | - | - | - |
| 3.5 Other decreases | 3,162 | 33 | - | 3,130 | 383 | - | - | - |
| **4. Closing balance** | **359,567** | **263** | **1,289** | **358,015** | **53,914** | **-** | **360,826** | **-** |

### A.4.5.3 CHANGE FOR THE PERIOD IN FINANCIAL LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

The table has not been completed because there were no such positions as of the reporting date.

### A.4.5.4 FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS: BREAKDOWN BY FAIR VALUE INPUT LEVEL

| | 31/12/2023 | | | | 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | L1 | L2 | L3 | CA | L1 | L2 | L3 |
| 1. Financial assets measured at amortized cost | 145,480,601 | 48,410,994 | 1,248,077 | 97,751,549 | 150,454,937 | 52,912,325 | 803,827 | 95,611,562 |
| 2. Investment property | 154,127 | - | 890 | 167,719 | 152,233 | - | 1,361 | 155,211 |
| 3. Non-current assets and disposal groups held for sale | 4,593,316 | - | 1,624 | - | 159,293 | - | 1,624 | - |
| **Total** | **150,228,044** | **48,410,994** | **1,250,591** | **97,919,268** | **150,766,464** | **52,912,325** | **806,812** | **95,766,772** |
| 1. Financial liabilities measured at amortized cost | 152,795,976 | 4,918,795 | 35,430,561 | 111,356,020 | 156,829,575 | 3,168,170 | 36,882,541 | 115,911,548 |
| 2. Liabilities associated with assets held for sale | 4,320,959 | - | - | - | 247,896 | - | - | - |
| **Total** | **157,116,935** | **4,918,795** | **35,430,561** | **111,356,020** | **157,077,471** | **3,168,170** | **36,882,541** | **115,911,548** |

Key:
CA=Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

### A.5 – DISCLOSURE ON "DAY ONE PROFIT/LOSS"

During the period under review, differences emerged between the fair values posted at the time of initial recognition and the values recalculated at the same date using valuation techniques in accordance with IFRS 9 (paragraphs B.5.1.2 A letter b), with a net negative impact of about €201 thousand in respect of cash flow hedges.

# 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 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| a) Cash | 733,523 | 739,346 |
| b) Current accounts and demand deposits with central banks | 3,956,181 | 144,164 |
| c) Current accounts and demand deposits with banks | 266,718 | 306,398 |
| Total | 4,956,422 | 1,189,908 |

The item “Current accounts and demand deposits with central banks” includes an overnight deposit of €3.8 billion at December 31, 2023 and deposits with the Bank of Italy, of which €13.9 million attributable to the Guarantee Scheme operated by Parent Company and €91 million connected with the instant payments service.

## 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 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. On-balance-sheet assets** | | | | | | |
| **1. Debt securities** | **80,356** | **6,325** | **13** | **21,986** | **70** | **196** |
| 1.1 structured securities | 6,212 | 5 | 10 | 3,556 | - | 10 |
| 1.2 other debt securities | 74,144 | 6,320 | 3 | 18,430 | 70 | 186 |
| **2. Equity securities** | **1,758** | **-** | **-** | **2,435** | **-** | **-** |
| **3. Units in collective investment undertakings** | **10,080** | **14** | **105** | **705** | **505** | **127** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 repurchase agreements | - | - | - | - | - | - |
| 4.2 other | - | - | - | - | - | - |
| **Total (A)** | **92,194** | **6,340** | **118** | **25,126** | **575** | **323** |
| **B. Derivatives** | | | | | | |
| **1. Financial derivatives** | **320** | **128,182** | **145** | **896** | **227,414** | **159** |
| 1.1 trading | 320 | 128,182 | 145 | 896 | 227,414 | 159 |
| 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)** | **320** | **128,182** | **145** | **896** | **227,414** | **159** |
| **Total (A+B)** | **92,514** | **134,522** | **263** | **26,022** | **227,989** | **482** |

The sub-item A.1 – 1.2 “other debt securities” mainly includes government securities held for trading in the amount of about €62 million, an increase of about €48 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.

## 2.2 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY DEBTOR/ISSUER/COUNTERPARTY

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| **A. On-balance-sheet assets** | | | |
| **1. Debt securities** | | **86,694** | **22,252** |
| a) Central banks | | - | - |
| b) Government entities | | 62,324 | 14,581 |
| c) Banks | | 19,241 | 3,496 |
| d) Other financial companies | | 4,116 | 3,361 |
| of which: insurance undertakings | | - | - |
| e) Non-financial companies | | 1,013 | 814 |
| **2. Equity securities** | | **1,758** | **2,435** |
| a) Banks | | 91 | 899 |
| b) Other financial companies | | 272 | 1,166 |
| of which: insurance undertakings | | 2 | 1,073 |
| c) Non-financial companies | | 1,395 | 370 |
| d) Other issuers | | - | - |
| **3. Units in collective investment undertakings** | | **10,200** | **1,337** |
| **4. Loans** | | **-** | **-** |
| a) Central banks | | - | - |
| b) Government entities | | - | - |
| c) Banks | | - | - |
| d) Other financial companies | | - | - |
| of which: insurance undertakings | | - | - |
| e) Non-financial companies | | - | - |
| f) Households | | - | - |
| | **Total (A)** | **98,652** | **26,024** |
| **B. Derivatives** | | | |
| a) Central counterparties | | 57,766 | 82,104 |
| b) Other | | 70,881 | 146,365 |
| | **Total (B)** | **128,647** | **228,469** |
| | **Total (A+B)** | **227,299** | **254,493** |

## 2.3 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1.Debt securities** | **315,788** | **-** | **-** | **249,873** | **-** | **-** |
| 1.1 structured securities | - | - | - | - | - | - |
| 1.2 other debt securities | 315,788 | - | - | 249,873 | - | - |
| **2. Loans** | **-** | **-** | **1,289** | **-** | **-** | **1,519** |
| 2.1 structured | - | - | - | - | - | - |
| 2.2 other | - | - | 1,289 | - | - | 1,519 |
| **Total** | **315,788** | **-** | **1,289** | **249,873** | **-** | **1,519** |

The item 1.2 “other debt securities”, up of about €66 million compared with 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.

## 2.4 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE: COMPOSITION BY DEBTOR/ISSUER

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| **1. Debt securities** | | **315,788** | **249,873** |
| a) Central banks | | - | - |
| b) Government entities | | 315,788 | 216,187 |
| c) Banks | | - | 33,686 |
| d) Other financial companies | | - | - |
| of which: insurance undertakings | | - | - |
| e) Non-financial companies | | - | - |
| **2. Loans** | | **1,289** | **1,519** |
| a) Central banks | | - | - |
| b) Government entities | | - | - |
| c) Banks | | - | - |
| d) Other financial companies | | - | - |
| of which: insurance undertakings | | - | - |
| e) Non-financial companies | | 196 | 250 |
| f) Households | | 1,093 | 1,269 |
| | **Total** | **317,077** | **251,392** |

## 2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1. Debt securities** | **20,463** | **20,067** | **4,790** | **26,581** | **38,915** | **6,699** |
| 1.1 structured securities | 2,981 | 500 | - | 6,774 | 7,428 | 2,031 |
| 1.2 other debt securities | 17,482 | 19,567 | 4,790 | 19,807 | 31,487 | 4,668 |
| **2. Equity securities** | **32,949** | **28,110** | **9,843** | **21,468** | **24,061** | **9,790** |
| **3. Units in collective investment undertakings** | **33,120** | **66,672** | **310,972** | **9,432** | **93,839** | **223,519** |
| **4. Loans** | **-** | **390,462** | **32,410** | **2,003** | **672,521** | **41,108** |
| 4.1 repurchase agreements | - | - | - | - | - | - |
| 4.2 other | - | 390,462 | 32,410 | 2,003 | 672,521 | 41,108 |
| **Total** | **86,532** | **505,311** | **358,015** | **59,484** | **829,336** | **281,116** |

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 latter including exposures to system funds).

In particular, item 3, “Units in collective investment undertakings” shows an increase of about €84 million compared with the endo of 2022, primarily reflecting the assignment of non-performing loans during the period to an alternative investment fund.

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 (down by €237 million compared with the end of 2022 following disinvestments to direct resources to forms of lending with greater returns) and interest-bearing postal bonds in the amount of about €43 million.

## 2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: COMPOSITION BY DEBTOR/ISSUER

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1.Equity securities** | **70,902** | **55,319** |
| of which: banks | 25,742 | 9,466 |
| of which: other financial companies | 40,119 | 38,176 |
| of which: non-financial companies | 5,041 | 7,677 |
| **2. Debt securities** | **45,320** | **72,195** |
| a) Central banks | - | - |
| b) Government entities | 16,074 | 572 |
| c) Banks | 15,579 | 49,908 |
| d) Other financial companies | 13,022 | 19,265 |
| of which: insurance companies | 631 | 1,611 |
| e) Non-financial companies | 645 | 2,450 |
| **3. Units in collective investment undertakings** | **410,764** | **326,790** |
| **4. Loans** | **422,872** | **715,632** |
| a) Central banks | - | - |
| b) Government entities | 11,352 | 11,193 |
| c) Banks | - | - |
| d) Other financial companies | 408,839 | 704,049 |
| of which: insurance companies | 331,750 | 568,677 |
| e) Non-financial companies | 2,675 | - |
| f) Households | 6 | 390 |
| **Total** | **949,858** | **1,169,936** |

The item “Units in collective investment undertakings” mainly includes loan funds in the amount of €159 million, real estate funds in the amount of €135 million, bond funds in the amount of 66 million and equity funds in the amount of €34 million.

## 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 A

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1. Debt securities** | **7,166,410** | **22,633** | **18** | **7,772,098** | **39,427** | **33** |
| 1.1 structured securities | 346,087 | - | - | 125,518 | 4,116 | - |
| 1.2 other debt securities | 6,820,323 | 22,633 | 18 | 7,646,580 | 35,311 | 33 |
| **2. Equity securities** | **26,349** | **424,106** | **53,896** | **22,544** | **406,565** | **67,929** |
| **3. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **7,192,759** | **446,739** | **53,914** | **7,794,642** | **445,992** | **67,962** |

The item “Debt securities “, came to €7.2 billion, down 0.6 billion on the previous year, and includes €6.5 billion of government securities.

“Equity securities - Level 2” includes the equity investment in the Bank of Italy in the amount of €375 million, unchanged over the previous year. The remainder of equity securities mainly includes non-controlling interests.

### 3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION BY DEBTOR/ISSUER

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Debt securities** | **7,189,061** | **7,811,558** |
| a) Central banks | - | - |
| b) Government entities | 6,507,692 | 7,432,076 |
| c) Banks | 485,995 | 194,288 |
| d) Other financial companies | 125,729 | 116,494 |
| of which: insurance undertakings | 1,119 | 1,116 |
| e) Non-financial companies | 69,645 | 68,700 |
| **2. Equity securities** | **504,351** | **497,038** |
| a) Banks | 386,748 | 385,250 |
| b) Other issuers: | 117,603 | 111,788 |
| - other financial companies | 66,104 | 57,762 |
| of which: insurance undertakings | 11,188 | 9,125 |
| - non-financial companies | 51,496 | 53,966 |
| - other | 3 | 60 |
| **3. Loans** | **-** | **-** |
| a) Central banks | - | - |
| b) Government entities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance undertakings | - | - |
| e) Non-financial companies | - | - |
| f) Households | - | - |
| **Total** | **7,693,412** | **8,308,596** |

## 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 | 7,109,883 | 6,871,800 | 86,762 | 18 | - | (2,692) | (4,910) | - | - | - |
| Loans | - | - | - | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **7,109,883** | **6,871,800** | **86,762** | **18** | **-** | **(2,692)** | **(4,910)** | **-** | **-** | **-** |
| **Total 31/12/2022** | **7,681,808** | **7,645,574** | **139,985** | **33** | **-** | **(1,941)** | **(8,327)** | **-** | **-** | **-** |

** 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 31/12/2023 | | | | | | Total 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | Stage 1 and 2 | Stage 3 | purchased or originated credit-impaired | Level 1 | Level 2 | Level 3 | Stage 1 and 2 | Stage 3 | purchased or originated credit-impaired | Level 1 | Level 2 | Level 3 |
| **A. Claims on central banks** | **1,947,030** | **-** | **-** | **-** | **-** | **1,947,030** | **589,471** | **-** | **-** | **-** | **-** | **589,472** |
| 1. Fixed-term deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 2. Reserve requirements | 1,947,020 | - | - | X | X | X | 589,459 | - | - | X | X | X |
| 3. Repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| 4. Other | 10 | - | - | X | X | X | 12 | - | - | X | X | X |
| **B. Due from banks** | **2,228,913** | **-** | **-** | **1,453,271** | **93,965** | **655,558** | **2,101,780** | **36** | **-** | **903,406** | **193,808** | **866,993** |
| 1. Financing | 709,190 | - | - | - | 52,354 | 655,558 | 967,494 | 36 | - | - | 51,922 | 832,482 |
| 1.1 Current accounts and demand deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.2. Fixed-term deposits | 32,525 | - | - | X | X | X | 94,909 | - | - | X | X | X |
| 1.3. Other financing: | 676,665 | - | - | X | X | X | 872,585 | 36 | - | X | X | X |
| - Repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| - Finance leases | 240 | - | - | X | X | X | 256 | - | - | X | X | X |
| - Other | 676,425 | - | - | X | X | X | 872,329 | 36 | - | X | X | X |
| 2. Debts securities | 1,519,723 | - | - | 1,453,271 | 41,611 | - | 1,134,286 | - | - | 903,406 | 141,886 | 34,511 |
| 2.1 Structured securities | 553,588 | - | - | 550,734 | 49 | - | 204,433 | - | - | 186,388 | 3,598 | - |
| 2.2 Other debt securities | 966,135 | - | - | 902,537 | 41,562 | - | 929,853 | - | - | 717,018 | 138,288 | 34,511 |
| **Total** | **4,175,943** | **-** | **-** | **1,453,271** | **93,965** | **2,602,588** | **2,691,251** | **36** | **-** | **903,406** | **193,808** | **1,456,465** |

“Claims on central banks” total €1.9 billion and include the balance of the Group banks’ reserve requirement managed on behalf of the mutual banks by the Parent Company (up of about €1.4 billion over the end of previous year).

The sub-item “debt securities” comes to €1.5 billion, up by €385 million compared with 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 31/12/2023 | | | | | | Total 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **89,870,160** | **1,011,479** | **4,619** | **-** | **380,675** | **93,998,699** | **89,503,163** | **1,359,113** | **6,275** | **-** | **374,093** | **92,652,518** |
| 1.1. Current accounts | 6,289,793 | 93,912 | 43 | X | X | X | 6,196,570 | 140,974 | - | X | X | X |
| 1.2. Repurchase agreements | 874,600 | - | - | X | X | X | 778,722 | - | - | X | X | X |
| 1.3. Medium/long term loans | 68,644,743 | 810,902 | 3,266 | X | X | X | 68,820,820 | 1,064,835 | 4,483 | X | X | X |
| 1.4. Credit cards, personal loans and loans repaid by automatic deductions from wage | 2,375,829 | 13,456 | - | X | X | X | 2,131,577 | 18,351 | - | X | X | X |
| 1.5. Finance leases | 3,556,259 | 61,957 | - | X | X | X | 3,675,801 | 91,373 | - | X | X | X |
| 1.6. Factoring | 807,002 | 7,584 | - | X | X | X | 638,789 | 9,301 | - | X | X | X |
| 1.7. Other loans | 7,321,934 | 23,668 | 1,310 | X | X | X | 7,260,884 | 34,279 | 1,792 | X | X | X |
| **2. Debt securities** | **50,418,240** | **160** | **-** | **46,752,115** | **773,437** | **1,150,262** | **56,894,942** | **157** | **-** | **52,008,919** | **235,926** | **1,502,579** |
| 2.1. Structured securities | 564,858 | 43 | - | 494.568 | 48,794 | 8,820 | 398,422 | 44 | - | 400,981 | 44,790 | 98,574 |
| 2.2. Other debt securities | 49,853,382 | 118 | - | 46,257,547 | 724,643 | 1,141,442 | 56,496,520 | 113 | - | 51,607,938 | 191,136 | 1,404,005 |
| **Total** | **140,288,400** | **1,011,639** | **4,619** | **46,752,115** | **1,154,112** | **95,148,961** | **146,398,105** | **1,359,270** | **6,275** | **52,008,919** | **610,019** | **94,155,097** |

The item "Repurchase agreements" came to €0.9 billion and mainly reports amounts connected with transactions with the Clearing & Guarantee Fund, a slight increase on the end of 2022.

Medium/long-term loans, amounting to €69.5 billion, are mainly granted to households and non-financial companies and decreased on the end of 2022 by €0.4 billion.

Loans to customers include approximately €260 million in loans disbursed with funds made available by public entities, mainly local governments, with the Group to a prevalent extent assuming part of the risk. The operations are mainly aimed at supporting the business sector (mainly small and medium-sized enterprises) and agriculture with credit.

"Debt securities" classified here came to €50.4 billion, down of €6.5 billion over the end of the previous year, and mainly includes €48.5 billion of government securities, mainly Italian government securities.

The above items include senior notes issued in securitization transactions totaling about €1.4 billion, mostly attributable to own securitization transactions.

## 4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY DEBTOR/ISSUER OF LOANS TO CUSTOMERS

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired |
| **1. Debt securities** | **50,418,240** | **160** | **-** | **56,894,942** | **157** | **-** |
| a) Government entities | 48,458,892 | 16 | - | 54,560,715 | 16 | - |
| b) Other financial companies | 1,764,417 | - | - | 2,059,996 | - | - |
| of which: insurance undertakings | 17,746 | - | - | 17,949 | - | - |
| c) Non-financial companies | 194,931 | 144 | - | 274,231 | 141 | - |
| **2. Loans to:** | **89,870,160** | **1,011,479** | **4,619** | **89,503,163** | **1,359,113** | **6,275** |
| a) Government entities | 1,083,585 | 768 | - | 957,179 | 78 | - |
| b) Other financial companies | 3,256,505 | 4,655 | - | 3,143,285 | 14,662 | - |
| of which: insurance undertakings | 6,110 | - | - | 6,234 | - | - |
| c) Non-financial companies | 41,434,638 | 563,333 | 4,476 | 41,924,492 | 756,263 | 5,864 |
| d) Households | 44,095,432 | 442,723 | 143 | 43,478,207 | 588,110 | 411 |
| **Total** | **140,288,400** | **1,011,639** | **4,619** | **146,398,105** | **1,359,270** | **6,275** |

## 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 | 51,680,141 | 49,468,988 | 360,349 | 1,595 | - | (11,111) | (91,417) | (1,434) | - | - |
| Loans | 84,293,354 | 1,253,698 | 9,101,442 | 3,639,469 | 12,785 | (353,133) | (515,282) | (2,627,990) | (8,167) | (487,052) |
| **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)** |
| **Total 31/12/2022** | **141,746,148** | **56,667,285** | **8,440,679** | **4,220,991** | **14,143** | **(511,947)** | **(585,524)** | **(2,861,685)** | **(7,868)** | **(479,567)** |

** Value to be reported for information purposes*

Loans outstanding at the reporting date which represent new liquidity granted through public guarantee mechanisms established in response to the COVID-19 emergency are reported in the table below, showing the gross value and total writeoffs, broken down by risk stages and "purchased or originated credit impaired" status. These include, among other, financial assets recognized in respect of forbearance measures involving a refinancing with derecognition of the original asset and recognition of a new loan, or a restructuring of multiple liabilities with recognition of a new loan.

## LOANS MEASURED AT AMORTIZED COST INVOLVED IN COVID-19 SUPPORT MEASURES: 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 | |
| New loans | 5,844,075 | 38,999 | 1,003,454 | 215,411 | - | (12,015) | (25,089) | (111,450) | - | (2,201) |
| **Total** | **5,844,075** | **38,999** | **1,003,454** | **215,411** | **-** | **(12,015)** | **(25,089)** | **(111,450)** | **-** | **(2,201)** |

** 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 31/12/2023 | | | NV | FV 31/12/2022 | | | NV |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | 31/12/2023 | Level 1 | Level 2 | Level 3 | 31/12/2022 |
| **A. Financial derivatives** | | | | | | | | |
| 1. Fair value | 443 | 947,589 | - | 11,995,796 | 788 | 1,886,805 | - | 13,782,102 |
| 2. Cash flows | - | 3,226 | - | 317,000 | - | 4,229 | - | 40,000 |
| 3. Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | | | | | | | | |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **443** | **950,815** | **-** | **12,312,796** | **788** | **1,891,034** | **-** | **13,822,102** |

*Key*
NV=notional value

The decrease in the balances compared with 2022 is mainly attributable to a decline in swap rates observed during the year, reflecting the nature of the items hedged, mainly represented by fixed-rate long-term loans and fixed-rate securities.

### 5.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

| | Fair value | | | | | | | Cash flows | | Investments in foreign operations |
|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | Generic | Specific | Generic | |
| | debt securities and interest | equity | currencies and gold | loans | commoditie | other | | | | |
| 1. Financial assets measured at fair value through other comprehensive income | 495 | - | - | - | X | X | X | - | X | X |
| 2. Financial assets measured at amortized cost | 359,350 | X | 457 | - | X | X | X | 3,226 | X | X |
| 3. Portfolio | X | X | X | X | X | X | 582,862 | X | - | X |
| 4. Other transactions | - | - | - | - | - | - | X | - | X | - |
| **Total assets** | **359,845** | **-** | **457** | **-** | **-** | **-** | **582,862** | **3,226** | **-** | **-** |
| 1. Financial liabilities | 169 | X | - | - | - | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | X | 4,699 | X | - | X |
| **Total liabilities** | **169** | **-** | **-** | **-** | **-** | **-** | **4,699** | **-** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | X | - | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | X | - | X | - | - |

## SECTION 6 - VALUE ADJUSTMENTS OF FINANCIAL ASSETS HEDGED GENERICALLY – ITEM 60

### 6.1 VALUE ADJUSTMENTS OF HEDGED ASSETS: COMPOSITION OF HEDGED PORTFOLIOS

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Positive adjustments** | **19,962** | **895** |
| 1.1 of specific portfolios: | 19,962 | 895 |
| a) financial assets measured at amortized cost | 19,962 | 895 |
| b) financial assets measured at fair value through comprehensive income | - | - |
| 1.2 comprehensive | - | - |
| **2. Negative adjustments** | **(657,789)** | **(876,122)** |
| 2.1 of specific portfolios: | (657,789) | (876,122) |
| a) financial assets measured at amortized cost | (656,898) | (875,021) |
| b) financial assets measured at fair value through comprehensive income | (891) | (1,101) |
| 2.2 comprehensive | - | - |
| **Total** | **(637,827)** | **(875,227)** |

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 5.2 - 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** | | | | | | |
| Pitagora SpA | Turin | Turin | Significant influence | Iccrea Banca SpA | 9.9% | 9.9% |
| Pay Holding 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 S.C. | 25.0% | 25.0% |
| Foro Annonario Gest Srl | Cesena | Cesena | Significant influence | Credito Cooperativo Romagnolo BCC di Cesena e Gatteo S.C. | 25.0% | 25.0% |
| Solaria Srl | Grosseto | Grosseto | Significant influence | Banca TEMA - Terre Etrusche e di Maremma S.C. | 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 S.C. | 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** | | | |
| Pitagora SpA | 11,290 | - | 189 |
| Pay Holding SpA | 211,157 | - | |
| **Total** | **222,447** | **-** | **189** |

## 7.3 SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

| | Cash and cash equivalents | Financial assets | Non-financial assets | Financial liabilities | Non-financial liabilities | Total revenues | Net interest income | Net adjustments of property, plant and equipment | Profit (loss) from continuing operations before tax | Profit (loss) from continuing operations after tax | Profit (loss) of disposal groups held for sale after tax | Profit (loss) for the period (1) | Other income after tax (2) | Comprehensive income (3) = (1) + (2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **A. Joint ventures** | | | | | | | | | | | | | | |
| **B. Companies subject to significant influence** | | | | | | | | | | | | | | |
| Pitagora SpA | X | 602,391 | 43,842 | 496,596 | 68,228 | 171,577 | X | X | 12,731 | 8,030 | - | 8,030 | - | 8,030 |
| Pay Holding SpA | X | 1,319 | 464,554 | - | 13,796 | 16,744 | X | X | 6,080 | 5,486 | - | 5,486 | - | 5,486 |

## 7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

| | Carrying amount of investment | Total assets | Total liabilities | Total revenues | Profit (loss) from continuing operations after tax | Profit (loss) for the period (1) | Other income after tax (2) | Comprehensive income (3) = (1) + (2) |
|---|---|---|---|---|---|---|---|---|
| **A. Joint ventures** | | | | | | | | |
| **B. Companies subject to significant influence** | 2,593 | 26,856 | 17,977 | 6,649 | (1,271) | (1,271) | - | (1,271) |

## 7.5 EQUITY INVESTMENTS: CHANGE FOR THE PERIOD

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Opening balance** | **220,460** | **128,524** |
| **B. Increases** | **29,420** | **187,390** |
| B.1 Purchases | | 186,515 |
| B.2 Writebacks | | |
| B.3 Revaluations | 29,166 | |
| B.4 Other increases | 254 | 875 |
| **C. Decreases** | **10,073** | **95,454** |
| C.1 Sales | | 1,400 |
| C.2 Impairment losses | | |
| C.3 Writedowns | | 93,679 |
| C.4 Other decreases | 10,073 | 375 |
| **D. Closing balance** | **239,807** | **220,460** |
| **E. Total revaluations** | **61,054** | **31,888** |
| **F. Total impairment losses** | **11,336** | **11,336** |

## 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.

### 7.7 COMMITMENTS IN RESPECT OF INVESTMENTS IN JOINT VENTURES

The table has not been completed because there were no such positions as of the reporting date.

### 7.8 COMMITMENTS IN RESPECT OF INVESTMENTS IN COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

The table has not been completed because there were no such positions as of the reporting date.

### 7.9 SIGNIFICANT RESTRICTIONS

The table has not been completed because there were no such positions as of the reporting date.

### 7.10 OTHER INFORMATION

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 8 – INSURANCE ASSETS - ITEM 80

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 9 - PROPERTY, PLANT AND EQUIPMENT – ITEM 90

### 9.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS CARRIED AT COST

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Owned assets** | **1,644,937** | **1,712,944** |
| a) land | 300,398 | 308,878 |
| b) buildings | 1,124,112 | 1,174,881 |
| c) movables | 57,903 | 57,686 |
| d) electronic systems | 75,980 | 90,428 |
| e) other | 86,544 | 81,071 |
| **2. Assets acquired under finance leases** | **235,851** | **235,888** |
| a) land | 1,830 | 1,845 |
| b) buildings | 216,977 | 212,428 |
| c) movables | 116 | 1,636 |
| d) electronic systems | 10,957 | 15,767 |
| e) other | 5,971 | 4,212 |
| **Total** | **1,880,788** | **1,948,832** |
| of which: obtained through enforcement of guarantees received | 1,180 | 1,254 |

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 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **1. Owned assets** | **146,803** | **-** | **890** | **160,393** | **144,909** | **-** | **1,361** | **147,887** |
| a) land | 29,618 | - | 267 | 29,582 | 28,381 | - | 408 | 26,873 |
| b) buildings | 117,185 | - | 623 | 130,811 | 116,528 | - | 953 | 121,014 |
| **2. Right-of-use assets acquired under leases** | **7,324** | **-** | **-** | **7,326** | **7,324** | **-** | **-** | **7,324** |
| a) land | - | - | - | - | - | - | - | - |
| b) buildings | 7,324 | - | - | 7,326 | 7,324 | - | - | 7,324 |
| **Total** | **154,127** | **-** | **890** | **167,719** | **152,233** | **-** | **1,361** | **155,211** |
| of which: obtained through enforcement of guarantees received | 32,236 | - | 6 | 32,469 | 37,580 | - | - | 37,764 |

At December 31, 2023 the Group had granted operating leases to others for investment property, mainly buildings, in the amount of about €51 million. The leased properties are mainly for commercial and residential use.

### 9.3 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF REVALUED ASSETS

The Group does not have revalued property, plant and equipment used in operations.

## 9.4 INVESTMENT PROPERTY: COMPOSITION OF ASSETS AT FAIR VALUE

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1. Owned assets** | **-** | **-** | **360,826** | **-** | **-** | **404,527** |
| a) land | - | - | 645 | - | - | 907 |
| b) buildings | - | - | 360,181 | - | - | 403,620 |
| **2. Right-of-use assets acquired under leases** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) land | - | - | - | - | - | - |
| b) buildings | - | - | - | - | - | - |
| **Total** | **-** | **-** | **360,826** | **-** | **-** | **404,527** |
| of which: obtained through enforcement of guarantees received | - | - | - | - | - | - |

## 9.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT WITHIN THE SCOPE OF IAS 2: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Inventories of property, plant and equipment obtained through enforcement of guarantees received** | **29,862** | **35,447** |
| a) land | 13,758 | 15,114 |
| b) buildings | 10,019 | 15,778 |
| c) movables | - | - |
| d) electronic systems | - | - |
| e) other | 6,085 | 4,555 |
| **2. Other inventories of property, plant and equipment** | **16,224** | **15,385** |
| **Total** | **46,086** | **50,832** |
| of which: measured at fair value net of selling costs | 1,550 | - |

## 9.6 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGE FOR THE PERIOD

| | Land | Buildings | Movables | Electronic plant | Other | Total |
|---|---|---|---|---|---|---|
| **A. Opening gross balance** | **310,893** | **2,412,579** | **467,674** | **435,639** | **583,419** | **4,210,204** |
| **A.1 Total net writedown** | 170 | 1,025,270 | 408,352 | 329,444 | 498,136 | 2,261,372 |
| **A.2 Opening net balance** | **310,723** | **1,387,309** | **59,322** | **106,195** | **85,283** | **1,948,832** |
| **B. Increases:** | **16,080** | **153,776** | **13,452** | **24,105** | **49,585** | **256,998** |
| B.1 Purchases | 15,876 | 110,895 | 11,822 | 20,796 | 31,852 | 191,241 |
| B.2 Capitalized improvement costs | - | 9,158 | 168 | 37 | 261 | 9,625 |
| B.3 Writebacks | - | 658 | - | - | - | 658 |
| B.4 Fair value gains recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| B.5 Positive exchange rate differences | - | - | - | - | - | - |
| B.6 Transfers from investment property | 35 | - | X | X | X | 35 |
| B.7 Other changes | 169 | 33,065 | 1,462 | 3,272 | 17,472 | 55,440 |
| **C. Decreases:** | **24,575** | **199,996** | **14,755** | **43,363** | **42,353** | **325,042** |
| C.1 Sales | 1,051 | 3,065 | 888 | 693 | 994 | 6,691 |
| C.2 Depreciation | 15 | 102,102 | 10,896 | 35,967 | 29,673 | 178,653 |
| C.3 Writedowns for impairment recognized in | 4,998 | 6,398 | - | 133 | 1 | 11,530 |
| a) equity | - | - | - | - | - | - |
| b) income statement | 4,998 | 6,398 | - | 133 | 1 | 11,530 |
| C.4 Fair value losses recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| C.5 Negative exchange rate differences | - | - | - | - | - | - |
| C.6 Transfers to: | 3,014 | 13,433 | - | - | - | 16,448 |
| a) investment property | 2,616 | 8,694 | X | X | X | 11,310 |
| b) non-current assets and disposal groups held for sale | 398 | 4,739 | - | - | - | 5,137 |
| C.7 Other changes | 15,4987 | 74,998 | 2,971 | 6,570 | 11,685 | 111,721 |
| **D. Closing net balance** | **302,228** | **1,341,089** | **58,019** | **86,937** | **92,515** | **1,880,788** |
| D.1 Total net writedowns | 169 | 1,100,927 | 398,612 | 363,125 | 504,500 | 2,367,333 |
| D.2 Closing gross balance | **302,397** | **2,442,016** | **456,631** | **450,062** | **597,015** | **4,248,121** |
| **E. Measurement at cost** | - | - | - | - | - | - |

## 9.7 INVESTMENT PROPERTY: CHANGE FOR THE PERIOD

| | Total | |
|---|---|---|
| | Land | Buildings |
| **A. Opening balance** | **29,288** | **527,472** |
| **B. Increases** | **2,898** | **11,881** |
| B.1 Purchases | 119 | 2,584 |
| B.2 Capitalized improvement costs | 132 | 282 |
| B.3 Fair value gains | - | - |
| B.4 Writebacks | - | - |
| B.5 Positive exchange rate differences | - | - |
| B.6 Transfers from operating property | 2,616 | 8,694 |
| B.7 Other changes | 31 | 321 |
| **C. Decreases** | **1,923** | **54,663** |
| C.1 Sales | 996 | 28,423 |
| C.2 Depreciation | - | 3,539 |
| C.3 Fair value losses | - | 19,815 |
| C.4 Writedowns for impairment | 729 | 2,402 |
| C.5 Negative exchange rate differences | - | - |
| C.6 Transfers to: | 86 | 86 |
| a) operating property | 35 | - |
| b) non-current assets and disposal groups held for sale | 51 | 86 |
| C.7 Other changes | 112 | 398 |
| **D. Closing balance** | **30,263** | **484,690** |
| E. Measurement at fair value | 29,849 | 138,760 |

## 9.8 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT WITHIN THE SCOPE OF IAS 2: CHANGE FOR THE PRIOD

| | Inventories of property, plant and equipment obtained through enforcement of guarantees received | | | | | Other inventories of property, plant and equipment | Total |
|---|---|---|---|---|---|---|---|
| | Land | Buildings | Movables | Electronic plants | Other | | |
| **A. Opening balance** | **15,114** | **15,778** | **-** | **-** | **4,555** | **15,384** | **50,831** |
| **B. Increases** | **39** | **317** | **-** | **-** | **1,782** | **3,915** | **6,053** |
| B.1 Purchases | - | 152 | - | - | 179 | 1,564 | 1,895 |
| B.2 Writebacks | - | 18 | - | - | - | - | 18 |
| B.3 Positive exchange rate differences | - | - | - | - | - | - | - |
| B.4 Other increases | 39 | 147 | - | - | 1,603 | 2,351 | 4,140 |
| **C. Decreases** | **1,395** | **6,076** | **-** | **-** | **252** | **3,075** | **10,798** |
| C.1 Sales | 180 | 3,886 | - | - | 184 | 1,253 | 5,503 |
| C.2 Writedowns for impairment | 885 | 1,099 | - | - | 68 | 767 | 2,819 |
| C.3 Negative exchange rate differences | - | - | - | - | - | - | - |
| C.4 Other decreases | 330 | 1,091 | - | - | - | 1,055 | 2,476 |
| **D. Closing balance** | **13,758** | **10,019** | **-** | **-** | **6,085** | **16,224** | **46,086** |

## 9.9 COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 10 – INTANGIBLE ASSETS – ITEM 100

### 10.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

| | Total 31/12/2023 | | Total 31/12/2022 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| **A.1 Goodwill** | **X** | **39,011** | **X** | **19,689** |
| A.1.1 pertaining to the Group | X | 39,011 | X | 19,689 |
| A.1.2 pertaining to non-controlling interests | X | - | X | - |
| **A.2 Other intangible assets** | **135,575** | **5** | **147,865** | **5** |
| of which software | 120,896 | - | 131,538 | - |
| A.2.1 Assets carried at cost | 135,575 | 5 | 147,865 | 5 |
| a) internally generated intangible assets | 5,574 | - | 5,641 | - |
| b) other assets | 130,001 | 5 | 142,224 | 5 |
| A.2.2 Assets designated at fair value | - | - | - | - |
| a) internally generated intangible assets | - | - | - | - |
| b) other assets | - | - | - | - |
| **Total** | **135,575** | **39,016** | **147,865** | **19,694** |

Item A.1.1 includes goodwill paid in the acquisition of bank branches by the Group banks (€3.1 million), goodwill recognized upon first-time consolidation of certain controlling interests (€15.6 million) prior to the formation of the Mutual Banking Group and goodwill recognized during the period following the purchase of a majority of the shares of BCC Vita SpA (€20.3 million).

Intangible assets mainly comprise software and licenses.

## 10.2 INTANGIBLE ASSETS: CHANGE FOR THE PERIOD

| | Goodwill | Other intangible assets: internally generated | | Other intangible assets:: other | | Total |
|---|---|---|---|---|---|---|
| | | finite life | indefinite life | finite life | indefinite life | |
| **A. Opening balance** | **26,819** | **31,928** | **-** | **422,438** | **5** | **481,190** |
| A.1 Total net writedown | 7,130 | 26,287 | - | 280,214 | - | 313,631 |
| A.2 Opening net balance | 19,689 | 5,641 | - | 142,225 | 5 | 167,559 |
| **B. Increases** | **20,293** | **1,726** | **5** | **36,235** | **-** | **58,259** |
| B.1 Purchases | 20,293 | - | - | 35,562 | - | 55,855 |
| B.2 Increases in internally generated intangible assets | X | 1,726 | - | - | - | 1,726 |
| B.3 Writebacks | X | - | - | - | - | - |
| B.4 Fair value gains recognized in | - | - | - | - | - | - |
| - equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| B.5 Positive exchange rate differences | - | - | - | - | - | - |
| B.6 Other changes | - | - | 5 | 673 | - | 678 |
| **C. Decreases** | **971** | **1,793** | **5** | **48,458** | **-** | **51,227** |
| C.1 Sales | - | - | - | 180 | - | 180 |
| C.2 Writedowns | 971 | 1,793 | 5 | 47,389 | - | 50,158 |
| - Amortization | X | 1,793 | 5 | 44,521 | - | 46,319 |
| - Impairment | 971 | - | - | 2,868 | - | 3,839 |
| + equity | X | - | - | - | - | - |
| + income statement | 971 | - | - | 2,868 | - | 3,839 |
| C.3 Fair value losses recognized in: | - | - | - | - | - | - |
| - equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| C.4 Transfers to non-current assets held for sale | - | - | - | 467 | - | 467 |
| C.5 Negative exchange rate differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | 422 | - | 422 |
| **D. Closing net balance** | **39,011** | **5,574** | **-** | **130,001** | **5** | **174,591** |
| D.1 Total net writedowns | 8,101 | 28,030 | 5 | 335,259 | - | 371,395 |
| **E. Closing gross balance** | **47,112** | **33,604** | **5** | **465,260** | **5** | **545,986** |
| F. Measurement at cost | - | - | - | - | - | - |

## 10.3 OTHER INFORMATION

### Goodwill impairment testing

Under the provisions of IAS 36, at each reporting date, goodwill must be tested for impairment in order to verify the asset's carrying amount. The test must also be performed following the occurrence of a trigger event during the year.

An asset is written down after impairment testing if its carrying amount is greater than that deemed recoverable, the latter defined as the greater of value in use (i.e. the present value of future cash flows cash expected from the cash generating unit – CGU - involved) and the fair value less of costs to sell, i.e. the price that would be received to sell an asset in an orderly transaction between informed and independent counterparties, net of any transaction costs.

### The goodwill of the affiliated banks

In order to perform impairment tests for the goodwill recognized by the affiliated banks, the Group has adopted common criteria and methodological models, in line with best market and theoretical practice, for performing impairment testing of the goodwill recognized by the banks. More specifically, they calculate value in use instead of fair value less costs to sell, mainly due to the fact that the mutual banks are not listed on an active market and their nature, size and operations make it difficult and excessively arbitrary to identify comparable listed companies in the Italian market that would enable the use of the most common methods for estimating fair value net of costs to sell (e.g. “comparable transactions” or “comparable companies” methods).

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 order to ensure any necessary continuity in the analytical methods.

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 literature 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 the that period (“TV”), discounted at a rate equal to the cost of equity (“Ke”).

The assumptions underlying the valuation models used are shown below:

- the value in use of the CGUs is determined by estimating the present value of future cash flows that are expected to be generated by the CGUs themselves;
- the CGUs were assessed on a stand-alone and going-concern basis;
- the allocated capital was calculated by applying a minimum prudential CET1 requirement to the target TCR including the P2G of the Parent Company, equal to 15.05%;
- the data for BTP, Beta and MRP were acquired from market infoproviders or from publicly available information.

The discount rate was set equal to the average rate of return on capital, determined on the basis of the capital asset pricing model (“CAPM”) and using:

- as the risk-free rate, the yield on risk-free investments, estimated at 4.18%, equal to the average yields observed in the last 12 months on the Italian 10-year BTP:
- to calculate beta, a sample of comparable companies (in terms of business) on the basis of which the average or median beta was drawn from weekly observations over a two-year horizon;
- a market risk premium of 5.06% in line with commonly adopted valuation practice.

On the basis of these assumptions, the discount rate (Ke) used by the Bank was calculated at 9.31%.

Finally, in accordance with the provisions of paragraph 134, letter f) of IAS 36, as part of the assessment of the recoverable amount of goodwill and where the estimate of this value is the result of valuation procedures based on specific assumptions defined by company management, it is also necessary perform a sensitivity analysis to identify any reasonably possible changes in those assumptions that could cause the carrying amount of the CGU to exceed its recoverable amount.

In this regard, as described above, the basic assumptions adopted by the Bank’s management and used in the valuation procedure are represented:

- the rate for discounting the income referred to in the previous line, set equal to the average cost of capital for shareholders, estimated using the CAPM.
- by the measure of the prospective income derived from the Bank’s business plan, corrected appropriately on the basis of the valuation methodology applied and, therefore, by the average growth rate implicit for that income.

In the sensitivity analysis, the "Ke" and "g" parameters modified with the reasonably possible range of +/- 0.50% and +/- 0.25%. respectively. The outcome of the sensitivity analysis out confirms the value of the goodwill recognized.

Net of impairment adjustments for the year of €1 million, at December 31, 2023 the recognized goodwill of the affiliated banks totaled €3.1 million.

### The goodwill of investee companies

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.

With regard to the goodwill recognized at the first-time consolidation of BCC Risparmio & Previdenza SGRpA (€10.5 million), the market multiples method was used to measure the company.

The market multiples method 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"). Specifically, the method involves calculating multipliers ("stock market multiples") resulting from the relationship between the value that the market attributes to comparable companies and their performance and financial indicators. The value of the company being valued is obtained by applying the identified multiples to the indicators of the company involved.

In particular, an international panel of companies operating in the asset management sector was considered, representing the business of BCC Risparmio & Previdenza SGRpA, using P/BV (Price/Book Value) as the multiple.

The outcome of the impairment test confirms the value of the goodwill recognized in the financial statements.

In order to assess the goodwill recognized at first-time consolidation of BCC Sistemi Informatici (€4.9 million), for the purposes of the impairment test, the economic value of the company's capital was estimated using the market multiples method. In particular, an international panel of companies operating in the IT sector and in the development of software was considered, as these represent the main activities of BCC Sistemi Informatici, using P/BV (Price/Book Value) as the multiple.

The outcome of the impairment test confirms the value of the goodwill recognized in the financial statements.

## SECTION 11 - TAX ASSETS AND LIABILITIES – – ITEM 110 OF ASSETS AND ITEM 60 OF LIABILITIES

### 11.1 DEFERRED TAX ASSETS: COMPOSITION

| | 31/12/2023 | | Total | 31/12/2022 | | Total |
|---|---|---|---|---|---|---|
| | IRES | IRAP | | IRES | IRAP | |
| **1) Recognized in income statement:** | **873,671** | **94,863** | **968,534** | **1,063,555** | **124,225** | **1,187,780** |
| **a) DTAs pursuant to Law 214/2011** | **607,344** | **60,942** | **668,286** | **785,175** | **88,126** | **873,302** |
| Writedowns of loans to customers | 523,328 | 60,240 | 583,568 | 769,447 | 88,022 | 857,469 |
| Goodwill and other intangible assets at December 31, 2014 | 265 | 50 | 315 | 315 | 57 | 372 |
| Tax losses/negative value of production pursuant to Law 214/2011 | 83,751 | 652 | 84,403 | 15,413 | 48 | 15,461 |
| **b) Other** | **266,327** | **33,921** | **300,248** | **278,380** | **36,098** | **314,478** |
| Writedowns of amounts due from banks | 2,190 | - | 2,190 | 1,436 | - | 1,436 |
| Writedowns of loans to customers | 27,712 | 10,058 | 37,770 | 37,337 | 12,853 | 50,190 |
| Goodwill and other intangible assets | 3,977 | 713 | 4,690 | 4,498 | 895 | 5,393 |
| Tax losses | 21,354 | - | 21,354 | 22,030 | - | 22,030 |
| Writedowns of financial instruments | 395 | 136 | 531 | 470 | 330 | 800 |
| Writedowns from impairment of guarantees issued recognized under liabilities | 62,216 | 148 | 62,364 | 56,922 | 20 | 56,942 |
| Provisions for risks and charges | 87,462 | 11,554 | 99,016 | 87,334 | 11,023 | 98,357 |
| Costs of predominantly administrative nature | 2,460 | 2 | 2,462 | 2,161 | 6 | 2,167 |
| Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets | 32,703 | 5,541 | 38,244 | 30,803 | 5,118 | 35,921 |
| Other | 25,858 | 5,769 | 31,627 | 35,389 | 5,853 | 41,242 |
| **2) Recognized in shareholders' equity:** | **72,773** | **14,314** | **87,087** | **149,896** | **29,488** | **179,384** |
| **a) Valuation reserves** | **64,091** | **12,655** | **76,746** | **121,491** | **24,025** | **145,516** |
| Capital losses on financial assets measured through OCI | 64,091 | 12,655 | 76,746 | 121,491 | 24,025 | 145,516 |
| **b) Other:** | **8,682** | **1,659** | **10,341** | **28,405** | **5,463** | **33,868** |
| Actuarial gains/losses on provisions for employees | 30 | - | 30 | 1,042 | 100 | 1,143 |
| Other | 8,652 | 1,659 | 10,311 | 27,363 | 5,362 | 32,725 |
| **A. Total deferred tax assets** | **946,444** | **109,177** | **1,055,621** | **1,213,451** | **153,713** | **1,367,164** |
| **B. Offsetting with deferred tax liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Net deferred tax assets - Total item 110 b)** | **946,444** | **109,177** | **1,055,621** | **1,213,451** | **153,713** | **1,367,164** |

The DTAs referred to in Law 214/2011, equal to a total of almost €668.3 million, 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. The DTAs referred to in Law 214/2011 on tax losses are generated by the reversal of writedowns of loans to customer and can be transformed into tax credits at the time tax returns are filed.

DTAs recognized in the income statement other than those referred to in Law 214/2011 amount to a total €300.2 million. Among these, the sub-item "Provisions for risks and charges", which amounts to €99 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 €37.8 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.

The decrease in deferred tax assets recognized in equity is attributable to the decrease in the negative reserve for securities measured at fair value through other comprehensive income recognized during the period.

## 11.2 DEFERRED TAX LIABILITIES: COMPOSITION

| | 31/12/2023 | | Total | 31/12/2022 | | Total |
|---|---|---|---|---|---|---|
| | IRES | IRAP | | IRES | IRAP | |
| **1) Deferred tax liabilities recognized in income statement** | **5,425** | **321** | **5,746** | **11,451** | **386** | **11,837** |
| 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 | 1,341 | 248 | 1,589 | 1,381 | 255 | 1,636 |
| Other | 4,084 | 73 | 4,157 | 10,070 | 131 | 10,201 |
| **2) Deferred tax liabilities recognized in shareholders' equity** | **18,994** | **3,735** | **22,729** | **9,523** | **1,837** | **11,361** |
| **Valuation reserves** | | | | | | |
| Capital gains on financial assets measured through OCI | 17,282 | 3,430 | 20,712 | 4,765 | 955 | 5,721 |
| Revaluation of property | 500 | 86 | 586 | 500 | 86 | 586 |
| Other | 1,212 | 219 | 1,431 | 4,258 | 796 | 5,054 |
| **A. Total deferred tax liabilities** | **24,419** | **4,056** | **28,475** | **20,974** | **2,223** | **23,197** |
| **B. Offsetting with deferred tax assets** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Net deferred tax liabilities** | **24,419** | **4,056** | **28,475** | **20,974** | **2,223** | **23,197** |

The increase in deferred tax liabilities over the end of 2022 is mainly attributable to the increase in deferred tax liabilities recognized in shareholders' equity on capital gains on financial assets at FVOCI.

## 11.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN INCOME STATEMENT)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **1,187,780** | **1,405,874** |
| **2. Increases** | **198,858** | **101,785** |
| 2.1 Deferred tax assets recognized during the period | 190,503 | 92,685 |
| a) in respect of previous period | 4,674 | 5,456 |
| b) due to change in accounting policies | - | - |
| c) writebacks | - | - |
| d) other | 185,829 | 87,229 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 8,355 | 9,100 |
| **3. Decreases** | **418,104** | **319,879** |
| 3.1 Deferred tax assets derecognized during the period | 364,089 | 186,133 |
| a) reversals | 358,929 | 182,107 |
| b) writedowns for supervening non-recoverability | 3,913 | 1,615 |
| c) due to changes in accounting policies | - | - |
| d) other | 1,247 | 2,411 |
| 3.2 Reduction in tax rates | - | 41 |
| 3.3 Other decreases | 54,015 | 133,705 |
| a) transformation in tax credits pursuant to Law 214/2011 | 14,455 | 132,356 |
| b) other | 39,560 | 1,349 |
| **4. Closing balance** | **968,534** | **1,187,780** |

## 11.4 CHANGES IN DEFERRED TAX ASSETS PURSUANT TO LAW 214/2011

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **873,302** | **1,087,703** |
| **2. Increases** | **88,812** | **15,191** |
| **3. Decreases** | **293,828** | **229,593** |
| 3.1 Reversals | 278,496 | 95,718 |
| 3.2 Conversion into tax credits | 14,456 | 132,356 |
| a) arising from losses for the year | 13,112 | 112,435 |
| b) arising from tax losses | 1,344 | 19,921 |
| 3.3 Other decreases | 876 | 1,519 |
| **4. Closing balance** | **668,286** | **873,302** |

## 11.5 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN INCOME STATEMENT)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **11,837** | **8,252** |
| **2. Increases** | **1,462** | **6,387** |
| 2.1 Deferred tax liabilities recognized during the period | 1,406 | 6,304 |
| a) in respect of previous period | 113 | 46 |
| b) due to change in accounting policies | - | - |
| c) other | 1,293 | 6,258 |
| 2.2 New taxes or increases in tax rates | 13 | - |
| 2.3 Other increases | 43 | 83 |
| **3. Decreases** | **7,553** | **2,802** |
| 3.1 Deferred tax liabilities derecognized during the period | 7,514 | 2,800 |
| a) reversals | 7,462 | 2,477 |
| b) due to changes in accounting policies | - | - |
| c) other | 52 | 323 |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | 39 | 2 |
| **4. Closing balance** | **5,746** | **11,837** |

### 11.6 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **179,384** | **27,685** |
| **2. Increases** | **9,691** | **161,243** |
| 2.1 Deferred tax assets recognized during the period | 8,312 | 156,904 |
| a) in respect of previous periods | 41 | 84 |
| b) due to change in accounting policies | - | - |
| c) other | 8,271 | 156,820 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 1,379 | 4,339 |
| **3. Decreases** | **101,988** | **9,544** |
| 3.1 Deferred tax assets derecognized during the period | 99,862 | 3,970 |
| a) reversals | 8,083 | 360 |
| b) writedowns for supervening non-recoverability | 114 | 18 |
| c) due to changes in accounting policies | - | - |
| d) other | 91,665 | 3,592 |
| 3.2 Reduction in tax rates | - | 2 |
| 3.3 Other decreases | 2,126 | 5,572 |
| **4. Closing balance** | **87,087** | **179,384** |

### 11.7 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **11,361** | **27,798** |
| **2. Increases** | **15,500** | **3,698** |
| 2.1 Deferred tax liabilities recognized during the period | 15,493 | 3,695 |
| a) in respect of previous periods | - | - |
| b) due to change in accounting policies | - | - |
| c) other | 15,493 | 3,695 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | 7 | 3 |
| **3. Decreases** | **4,132** | **20,135** |
| 3.1 Deferred tax liabilities derecognized during the period | 4,106 | 19,861 |
| a) reversals | 636 | 3,716 |
| b) due to change in accounting policies | - | - |
| c) other | 3,470 | 16,145 |
| 3.2 Reduction in tax rates | 15 | - |
| 3.3 Other decreases | 11 | 274 |
| **4. Closing balance** | **22,729** | **11,361** |

### 11.8 OTHER INFORMATION

The recovery of the DTAs pursuant to Law 214/2011 is certain under the provisions of the law and does not take account of the profit generating capacity of the companies that recognized them.

DTAs other than those referred to in Law 214/2011 are recognized to the extent that their recovery is probable. This probability was assessed using the probability test on the basis of the ability of the companies recognizing them (affiliated banks) or, as a result of the exercise of the option to participate in the tax consolidation mechanism, of the group of companies participating in that mechanism (the companies in the direct scope of consolidation) to generate positive taxable income.

With regard to the probability test conducted by the affiliated banks, the tax income or loss (IRES/IRAP) was estimated over a five-year forecast period (from 2023 to 2027), and the sufficiency of the estimated taxable income to absorb the temporary deductible differences that gave rise to the recognition of DTAs that will be reversed in the reference period was verified. In addition, with regard to DTAs reversing subsequent to the aforementioned time horizon, a further assessment was carried out that demonstrated their recoverability within a limited and reasonable period of years.

The estimations and assumptions concerning the recoverability of deferred tax assets were made on the basis of the 2023-2025 forecasts of each Group company.

The test used the IRES and IRAP rates in force at the reporting date (27.50% for IRES, including the surtax of 3.50%).

As regards the recoverability test for prepaid IRES of the Parent Company and the other companies participating in the tax consolidation mechanism, the projections for expected profitability prepared by the competent units of the Parent Company indicate the tax consolidation mechanism will be able to absorb all recognized DTAs by 2028.

The following table shows the composition of current tax assets at the reporting date.

| | 31/12/2023 | | | |
|---|---|---|---|---|
| | IRES | IRAP | Other | Total |
| Current tax liabilities (-) | (70,519) | (87,812) | (927) | (159,258) |
| Payments on account (+) | 73,857 | 79,081 | 539 | 153,477 |
| Other tax receivables (+) | 80,337 | 14,294 | 15,743 | 110,374 |
| Tax credit pursuant to Law 214/2011 (+) | 123,425 | 918 | - | 124,343 |
| Withholding tax (+) | 6,540 | - | 1,580 | 8,121 |
| **Debtor balance of item 60 a) of liabilities** | (21,912) | (20,222) | (927) | (43,061) |
| **Creditor balance** | 235,552 | 26,703 | 17,862 | 280,117 |
| **Balance of non-offsettable tax receivables** | 9,632 | 1,102 | - | 10,734 |
| **Creditor balance of item 110 a) of assets** | 245,184 | 27,805 | 17,862 | 290,851 |

## 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

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **A. Assets held for sale** | | |
| A.1 Financial assets | - | 146,986 |
| A.2 Equity investments | - | - |
| A.3 Property, plant and equipment | 13,300 | 12,305 |
| of which obtained through enforcement of guarantees received | 7,039 | 7,844 |
| A.4 Intangible assets | - | - |
| A.5 Other non-current assets | - | - |
| **Total A** | **13,300** | **159,293** |
| of which carried at cost | 11,676 | 157,667 |
| of which measured at fair value level 1 | - | - |
| of which measured at fair value level 2 | 1,624 | 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 | - | 2 |
| 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** | **2** |
| of which carried at cost | 4,580,016 | 2 |
| 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 | - | - |
| **Total C** | **-** | **-** |
| of which carried at cost | - | - |
| of which measured at fair value level 1 | - | - |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | - | - |
| **D. Liabilities associated with discontinued operations** | | |
| D.1 Financial liabilities measured at amortized cost | - | 247,836 |
| 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 | 60 |
| **Total D** | **4,320,959** | **(247,896)** |
| of which carried at cost | **4,320,059** | **247,896** |
| 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 December 31, 2023 the Group presents the assets and liabilities of BCC Vita and BCC Assicurazioni, which were consolidated from September 2023 following the acquisition of control, under discontinued operating assets and liabilities and are represented in the consolidated financial statements in accordance with IFRS 5.

Please see the description of the operations in the Report on Operations.

### 12.2 OTHER INFORMATION

No other information necessary.

## SECTION 13 - OTHER ASSETS – ITEM 130

### 13.1 OTHER ASSETS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| - Shortfalls, embezzlement and robberies | 1,266 | 1,214 |
| - Trade receivables | 54,693 | 52,547 |
| - Stamp duty and other valuables | 921 | 987 |
| - Gold, silver and other precious metals | 1,858 | 2,086 |
| - Receivables for future premiums on derivatives | 9,798 | 7,474 |
| - Fees and commissions and interest to be received | 30,449 | 26,356 |
| - Tax receivables due from central govt. tax authorities and other tax agencies | 380,303 | 431,133 |
| - Receivables from social security institutions | 1,110 | 5,681 |
| - Tax receivables | 3,897,519 | 3,150,324 |
| - Receivables from employees | 1,692 | 3,486 |
| - Non-recurring transactions (acquisitions) | 7,001 | 15,734 |
| - Items in transit between branches and items being processed | 491,063 | 478,256 |
| - Financial assets in respect of loans granted for a specific transaction | 8,487 | 8,217 |
| - Accrued income not attributable to separate line item | 8,436 | 7,127 |
| - Prepaid expenses not attributable to separate line item | 43,009 | 43,958 |
| - Leasehold improvements | 46,004 | 39,377 |
| - Other (security deposits, assets not attributable to other items) | 278,153 | 261,917 |
| - Balance of illiquid portfolio items | 516,769 | 931,798 |
| Consolidation adjustments | - | 576,819 |
| **Total** | **5,778,531** | **6,044,491** |

"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.

"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.

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.

## 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 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 16,204,661 | X | X | X | 26,290,563 | X | X | X |
| 2. Due to banks | 1,718,019 | X | X | X | 2,227,683 | X | X | X |
| 2.1 Current accounts and demand deposits | 998,151 | X | X | X | 1,779,347 | X | X | X |
| 2.2 Fixed term deposits | 40,235 | X | X | X | 54,828 | X | X | X |
| 2.3 Loans | 602,559 | X | X | X | 133,727 | X | X | X |
| 2.3.1 Repurchase agreements | 504,451 | X | X | X | 74,767 | X | X | X |
| 2.3.2 Other | 98,108 | X | X | X | 58,960 | 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 | 2,781 | X | X | X | 3,327 | X | X | X |
| 2.6 Other payables | 74,293 | X | X | X | 256,454 | X | X | X |
| **Total** | **17,922,680** | **-** | **18,708,219** | **1,172,155** | **28,518,246** | **-** | **26,101,194** | **2,140,195** |

"Due to central banks" mainly represents financing from the ECB (TLTROs) maturing in 2024. The decrease of €10.1 billion compared with the end of the previous year is attributable to deleveraging measures undertaken during the year (partial repayment of TLTRO funding).

The decrease in the item "Due to banks" mainly reflects a decrease of €0.8 billion in current accounts and demand deposits, partially offset by the increase in repurchase transactions entered into by Group banks (€0.4 billion).

### 1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – DUE TO CUSTOMERS: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 101,641,888 | X | X | X | 106,490,448 | X | X | X |
| 2. Fixed-term deposits | 5,202,421 | X | X | X | 3,676,065 | X | X | X |
| 3. Loans | 14,577,463 | X | X | X | 7,713,433 | X | X | X |
| 3.1 Repurchase agreements | 12,079,638 | X | X | X | 6,413,024 | X | X | X |
| 3.2 Other | 2,497,825 | X | X | X | 1,300,409 | X | X | X |
| 4. Liabilities in respect of commitments to repurchase own equity instruments | - | X | X | X | - | X | X | X |
| 5. Lease liabilities | 238,783 | X | X | X | 237,528 | X | X | X |
| 6. Other payables | 862,364 | X | X | X | 998,273 | X | X | X |
| **Total** | **122,522,919** | **-** | **10,166,148** | **109,395,608** | **119,115,747** | **1,688** | **5,588,591** | **113,383,202** |

Amounts due to customers increased by €3.4 billion compared with December 2022, mainly reflecting the decrease in balances in current accounts and demand deposits in the amount of €4.8 billion more than offset by the increase in repurchase transactions, including those with the Clearing and Guarantee Fund, in the amount of €5.7 billion and in funding represented by current accounts and fixed-term deposits with ordinary customers in the amount of €1.5 billion.

The sub-item "Loans-other" comprises about €1 billion in respect of MEF financing and €0.7 billion in respect of a loan from CDP.

## 1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST - SECURITIES ISSUED: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| **A. Securities** | | | | | | | | |
| 1. Bonds | 6,543,286 | 4,918,795 | 1,561,411 | - | 5,433,875 | 3,166,482 | 1,926,368 | - |
| 1.1 structured | 4,488 | - | 216 | - | 4,835 | - | 564 | - |
| 1.2 other | 6,538,799 | 4,918,795 | 1,561,195 | - | 5,429,040 | 3,166,482 | 1,925,804 | - |
| 2. Other securities | 5,807,091 | - | 4,994,783 | 788,257 | 3,761,707 | - | 3,266,389 | 388,150 |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | 5,807,091 | - | 4,994,783 | 788,257 | 3,761,707 | - | 3,266,389 | 388,150 |
| **Total** | **12,350,377** | **4,918,795** | **6,556,194** | **788,257** | **9,195,582** | **3,166,482** | **5,192,757** | **388,150** |

Bonds, which totaled €6.5 billion, increased by €1.1 billion on the end of 2022 due to new issues carried out by the Parent Company in the period.

“Other securities – other” include certificates of deposit issued by Group banks in the amount of €5.8 billion, up by €2 billion on the end of 2022.

## 1.4 BREAKDOWN OF SUBORDINATED DEBT/SECURITIES

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **A.1 Subordinated debt** | **-** | **-** |
| - banks | - | - |
| - customers | - | - |
| **B.1 Subordinated securities** | **737,505** | **766,537** |
| - banks | 723,018 | 752,965 |
| - customers | 14,487 | 13,572 |
| **Total** | **737,505** | **766,537** |

The sub-item B.1 “Subordinated securities – banks” includes €713 million in respect of subordinated bonds issued by Iccrea Banca SpA and subscribed by non-Group banks, while the remainder is represented by bonds issued by the Group mutual banks.

## 1.5 BREAKDOWN OF STRUCTURED DEBT

The table has not been completed because there were no such positions as of the reporting date.

## 1.6 LEASE LIABILITIES

| Right of use | Falling due within 5 years | Falling due after 5 years |
|---|---|---|
| Land | - | - |
| Buildings | 148,024 | 76,423 |
| Movables | 963 | - |
| Electronic systems | 9,449 | 2 |
| Other | 6,111 | 592 |

The table provides a breakdown by maturity of lease liabilities, as required under IFRS 16.

## SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

### 2.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | | Total 31/12/2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 550 | 549 | - | - | 549 | 3,318 | 3,334 | - | - | 3,334 |
| 2. Due to customers | 8,297 | 8,530 | 100 | - | 8,630 | 1,933 | 1,602 | - | - | 1,602 |
| 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** | **8,847** | **9,079** | **100** | **-** | **9,178** | **5,251** | **4,936** | **-** | **-** | **4,936** |
| **B. Derivatives** | | | | | | | | | | |
| **1. Financial derivatives** | X | 480 | 101,929 | - | X | X | 156 | 231,389 | - | X |
| 1.1 Trading | X | 480 | 101,929 | - | X | X | 156 | 231,389 | - | 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** | **480** | **101,929** | **-** | **X** | **X** | **156** | **231,389** | **-** | **X** |
| **Total (A+B)** | **X** | **9,559** | **102,029** | **-** | **X** | **X** | **5,093** | **231,389** | **-** | **X** |

*Key:*
NV=nominal or notional 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.

### 2.2 BREAKDOWN OF “FINANCIAL LIABILITIES HELD FOR TRADING”: SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the reporting date.

### 2.3 BREAKDOWN OF “FINANCIAL LIABILITIES HELD FOR TRADING”: STRUCTURED LIABILITIES

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 3 - FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE - ITEM 30

### 3.1 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE: COMPOSITION BY TYPE

The table has not been completed because there were no such positions as of the reporting date.

### 3.2 BREAKDOWN OF “FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE”: SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 4 - HEDGING DERIVATIVES – ITEM 40

### 4.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND LEVEL OF INPUTS

| | Fair value 31/12/2023 | | | NV 31/12/2023 | Fair value 31/12/2022 | | | NV 31/12/2022 |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A) Financial derivatives** | **176** | **220,301** | **-** | **5,849,130** | **159** | **350,078** | **-** | **5,999,649** |
| 1) Fair value | 176 | 172,339 | - | 3,931,383 | 159 | 176,138 | - | 2,165,155 |
| 2) Cash flows | - | 47,962 | - | 1,917,747 | - | 173,940 | - | 3,834,494 |
| 3) Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **176** | **220,301** | **-** | **5,849,130** | **159** | **350,078** | **-** | **5,999,649** |

*Key:*
NV=notional value

Item A. 1) includes the negative fair value of derivatives hedging securities against inflation.

The decline in the negative fair value of CFH derivatives presented in line A.2) compared with the previous year is attributable to the decrease in swap rates observed during the year.

### 4.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

| | Fair value | | | | | | | Cash flows | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | | | | |
| | Debt securities and interest rates | Equity securities | Foreign currencies and gold | Credit | Commodities | Other | Generic | Specific | Generic | Foreign investments |
| 1. Financial assets measured at fair value through other comprehensive income | 6,243 | - | - | - | X | X | X | 2,626 | X | X |
| 2. Financial assets measured at amortized cost | 159,491 | X | 182 | - | X | X | X | 45,336 | X | X |
| 3. Portfolio | X | X | X | X | X | X | 6,353 | X | - | X |
| 4. Other transactions | - | - | - | - | - | - | X | - | X | - |
| **Total assets** | **165,734** | **-** | **182** | **-** | **-** | **-** | **6,353** | **47,963** | **-** | **-** |
| 1. Financial liabilities | 245 | X | - | - | - | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | X | - | X | - | X |
| **Total liabilities** | **245** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | X | - | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | X | - | X | - | - |

The table reports the negative fair values of hedging derivatives, broken down by hedged asset or liability and type of hedge.

As indicated in Part A "Accounting policies" of these notes to the financial statements, 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 5 - VALUE ADJUSTMENTS OF GENERICALLY HEDGED LIABILITIES - ITEM 50

### 5.1 VALUE ADJUSTMENTS OF HEDGED FINANCIAL LIABILITIES

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Positive adjustment of financial liabilities | - | - |
| 2. Negative adjustment of financial liabilities | 560 | 821 |
| **Total** | **560** | **821** |

## SECTION 6 – TAX LIABILITIES – ITEM 60

See section 11 under assets.

## SECTION 7 – LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE – ITEM 70

At December 31, 2023, the Group presents the liabilities of BCC Vita and BCC Assicurazioni, which have been consolidated September 2023 following the acquisition of control, in accordance with the provisions of IFRS 5.

Please see table 12.1 “Non-current assets and disposal groups held for sale: composition by type” in section 12 under assets.

## SECTION 8 - OTHER LIABILITIES – ITEM 80

### 8.1 OTHER LIABILITIES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Amounts due to social security institutions and State | 88,503 | 113,983 |
| Trade payables | 192,805 | 189,767 |
| Amounts available to customers | 107,270 | 995,680 |
| Fees and commissions to be settled | 22,340 | 20,024 |
| Liabilities for future premiums on derivatives | 12,462 | 9,630 |
| Tax payables due to tax authorities | 620,018 | 489,665 |
| Payables due to employees | 283,324 | 178,898 |
| Financial liabilities in respect of loans granted for a specific transaction | 8,487 | 8,217 |
| Guarantees issued and credit derivatives | - | 3,822 |
| Accrued expenses not attributable to separate line item | 21,490 | 12,405 |
| Deferred income not attributable to separate line item | 18,233 | 16,819 |
| Items in transit and items being processed | 264,680 | 753,418 |
| Other (failed purchase transactions, trade payables, insurance liabilities, security deposits, items not attributable to separate line item) | 353,924 | 372,209 |
| Consolidation adjustments | 321,535 | - |
| Balance of illiquid portfolio items | 228 | 851 |
| Dividends to be paid | 43 | 83 |
| Total | 2,315,342 | 3,165,471 |

The item “Amounts available to customers” regards amounts received from banks to be credited to customers of the Group banks. At December 31, 2022 it mainly regarded pension and wage payments from other banks awaiting payment to customers by mutual banks acting as intermediaries.

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 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| **A. Opening balance** | | **225,719** | **277,528** |
| **B. Increases** | | **15,821** | **10,003** |
| B.1 Provisions for the period | | 9,211 | 4,414 |
| B.2 Other increases | | 6,610 | 5,589 |
| **C. Decreases** | | **25,563** | **61,812** |
| C.1 Benefit payments | | 15,946 | 17,836 |
| C.2 Other decreases | | 9,617 | 43,976 |
| **D. Closing balance** | | **215,977** | **225,719** |
| | **Total** | **215,977** | **225,719** |

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.

### 9.2 OTHER INFORMATION

With regard to the provision for TFR benefits, service cost totaled €1.7 million, while interest cost came to €7.5 million. Net actuarial gains amounted to €4.3 million and break down as follows:

- €6 million of gains from change in discount rate;
- €1.7 million of losses from experience adjustments.

The following are the main actuarial and demographic assumptions adopted in measuring the provision at the reporting date:

- discount rate: Euro Composite AA yield curve at December 31, 2023
- expected rate of increase in remuneration: between 0.50% and 3.5%
- turnover: 2.07% average
- mortality tables published by State Accountant General’s Office and INPS disability tables.

The following reports the findings of the sensitivity analysis of the present value of the defined benefit obligation (DBO) at the end of the period using a discount rate adjusted by +0.25% and -0.25% compared with that actually used:

- in the case of an increase of 0.25%, the TFR provision would amount to €213 million;
- in the case of a decrease of 0.25% the TFR provision would amount to €220 million.

## SECTION 10 - PROVISIONS FOR RISKS AND CHARGES – ITEM 100

### 10.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Provisions for credit risk in respect of commitments and financial guarantees issued | 307,960 | 298,309 |
| 2. Provisions for other commitments and guarantees issued | - | - |
| 3. Company pension plans | - | - |
| 4. Other provisions for risks and charges | 264,499 | 243,755 |
| 4.1 legal disputes | 89,407 | 88,829 |
| 4.2 personnel expense | 73,786 | 72,185 |
| 4.3 other | 101,306 | 82,741 |
| **Total** | **572,459** | **542,064** |

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, allocations to charity funds from profit for the previous year.

### 10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGE FOR THE PERIOD

| | Provisions in respect of commitments and other guarantees issued | Retirement provisions | Other provisions | Total |
|---|---|---|---|---|
| **A. Opening balance** | **-** | **-** | **243,755** | **243,755** |
| **B. Increases** | **-** | **-** | **141,957** | **141,957** |
| B.1 Provisions for the year | - | - | 117,115 | 117,115 |
| B.2 Changes due to passage of time | - | - | 272 | 272 |
| B.3 Changes due to changes in the discount rate | - | - | 285 | 285 |
| B.4 Other increases | - | - | 24,285 | 24,285 |
| **C. Decreases** | **-** | **-** | **121,213** | **121,213** |
| C.1 Use during the period | - | - | 81,845 | 81,845 |
| C.2 Changes due changes in the discount rate | - | - | 165 | 165 |
| C.3 Other decreases | - | - | 39,203 | 39,203 |
| **D. Closing balance** | **-** | **-** | **264,499** | **264,499** |

### 10.3 PROVISIONS FOR CREDIT RISK IN RESPECT OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED

| | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit impaired | Total |
|---|---|---|---|---|---|
| Commitments to disburse funds | 46,102 | 19,809 | 58,792 | - | 124,703 |
| Financial guarantees issued | 98,845 | 28,199 | 56,213 | - | 183,257 |
| **Total** | **144,946** | **48,008** | **115,006** | **-** | **307,960** |

### 10.4 PROVISIONS IN RESPECT OF OTHER COMMITMENTS AND GUARANTEES ISSUED

The table has not been completed because there were no such positions as of the reporting date.

### 10.5 DEFINED-BENEFIT COMPANY PENSION PLANS

The table has not been completed because there were no such positions as of the reporting date.

### 10.6 PROVISIONS - OTHER

Please see the comments to table 10.1 “Provisions for risks and charges: composition”.

## SECTION 11 - INSURANCE LIABILITIES - ITEM 110

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 12 - REDEEMABLE SHARES - ITEM 130

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 13 - SHAREHOLDERS' 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 shareholders' 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 €1,004,956,519 (€889,156,641 net of shares issued pursuant to Article 150-ter by nine 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 (-) | (24,193,784) | - |
| **A.2 Shares in circulation: opening balance** | **2,931,975** | **-** |
| **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** | **(2,245,921)** | **-** |
| C.1 Cancellation | - | - |
| C.2 Purchase of own shares | (2,245,921) | - |
| 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 €2,290,202,068 is represented only by ordinary shares (subscribed share capital, fully paid up).

### 13.4 EARNINGS RESERVES: OTHER INFORMATION

Group reserves amount to a total €10.9 billion.

In particular, earning reserves amount to €10.9 billion and include, among the largest, the legal reserve in the amount of €12 billion as 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.

### 13.6 OTHER INFORMATION

Additional disclosure is not necessary.

## SECTION 14 - NON-CONTROLLING INTERESTS – ITEM 190

### 14.1 BREAKDOWN OF ITEM 190 “NON-CONTROLLING INTERESTS”

| Equity investments in consolidated companies with significant non-controlling interests | 31/12/2023 | 31/12/2022 |
|---|---|---|
| 1. Coopersystem Società Cooperativa | - | 31,586 |
| 2. Other investments | - | 915 |
| **Total** | **-** | **32,501** |

At December 31, 2023, there were no non-controlling interests in subsidiaries.

### 14.2 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

The consolidated capital of the Iccrea Cooperative Banking Group does not include equity instruments issued by group companies that are not wholly owned.

## OTHER INFORMATION

### 1. GUARANTEES ISSUED AND COMMITMENTS

| | Nominal value of financial guarantees issued and commitments | | | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit impaired | | |
| **Commitments to disburse funds** | **22,023,851** | **1,580,630** | **187,561** | **-** | **23,792,042** | **22,399,627** |
| a) Central banks | - | - | - | - | - | - |
| b) Government entities | 1,072,588 | 3,251 | 550 | - | 1,076,389 | 1,013,236 |
| c) Banks | 84,598 | 19,589 | - | - | 104,187 | 173,169 |
| d) Other financial companies | 1,542,062 | 130,716 | 766 | - | 1,673,544 | 1,276,689 |
| e) Non-financial companies | 16,668,705 | 1,253,855 | 169,734 | - | 18,092,294 | 16,837,267 |
| f) Households | 2,655,898 | 173,219 | 16,511 | - | 2,845,628 | 3,099,264 |
| **Financial guarantees issued** | **2,897,283** | **492,879** | **74,426** | **-** | **3,464,588** | **3,279,031** |
| a) Central banks | - | - | - | - | - | - |
| b) Government entities | 36,414 | 1,138 | 240 | - | 37,792 | 35,494 |
| c) Banks | 472,926 | 16,443 | - | - | 489,369 | 495,438 |
| d) Other financial companies | 155,503 | 64,424 | 437 | - | 220,364 | 73,318 |
| e) Non-financial companies | 1,921,427 | 302,043 | 66,814 | - | 2,290,284 | 2,246,352 |
| f) Households | 311,013 | 108,831 | 6,935 | - | 426,779 | 428,429 |

### 2. OTHER COMMITMENTS AND GUARANTEES ISSUED

| | Nominal value | |
|---|---|---|
| | Total 31/12/2023 | Total 31/12/2022 |
| **Other guarantees issued** | | |
| of which: impaired credit exposures | - | - |
| a) Central banks | - | - |
| b) Government entities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| e) Non-financial companies | - | 205 |
| f) Households | - | - |
| **Other commitments** | | |
| of which: impaired credit exposures | - | - |
| a) Central banks | - | - |
| b) Government entities | - | - |
| c) Banks | - | - |
| d) Other financial companies | 170 | 170 |
| e) Non-financial companies | - | - |
| f) Households | - | - |

### 3. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

| | Amount 31/12/2023 | Amount 31/12/2022 |
|---|---|---|
| 1. Financial assets measured at fair value through profit or loss | 329,496 | 253,662 |
| 2. Financial assets measured at fair value through other comprehensive income | 1,865,139 | 2,282,415 |
| 3. Financial assets measured at amortized cost | 37,800,474 | 40,637,013 |
| 4. Property, plant and equipment | 1 | - |
| of which: property, plant and equipment classified as inventories | - | - |

### 4. COMPOSITION OF INVESTMENTS ASSOCIATED WITH UNIT-LINKED AND INDEX-LINKED POLICIES

The table has not been completed because there were no such positions as of the reporting date.

### 5. MANAGEMENT AND INTERMEDIATION SERVICES

| | Amount 31/12/2023 |
|---|---|
| **1. Order execution on behalf of customers** | **228,836** |
| a) Purchases | 202,701 |
| 1. settled | 202,701 |
| 2. not settled | - |
| b) Sales | 26,135 |
| 1. settled | 26,135 |
| 2. not settles | - |
| **2. Asset management** | **11,967,755** |
| a) Individual | 7,140,571 |
| b) Collective | 4,827,184 |
| **3. Securities custody and administration** | **220,469,259** |
| a) Third-party securities held as part of custodian bank services (excluding asset management) | - |
| 1. Securities issued by consolidated companies | - |
| 2. other securities | - |
| b) Other third-party securities on deposit (excluding asset management): other | 121,939,918 |
| 1. Securities issued by consolidated companies | 5,625,524 |
| 2. other securities | 116,314,394 |
| c) Third-party securities deposited with third parties | 121,596,412 |
| d) Securities owned by bank deposited with third parties | 98,529,341 |
| **4. Other transactions** | **19,926,578** |

## 6. FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

| | Gross amount of financial assets (a) | Financial liabilities offset (b) | Net amount of financial assets reported (c=a-b) | Related amounts not offset | | Net amount (f=c-d-e) 31/12/2023 | Net amount 31/12/2022 |
|---|---|---|---|---|---|---|---|
| | | | | Financial instruments (d) | Cash collateral received (e) | | |
| 1. Derivatives | 2,974,207 | 99,046 | 2,875,161 | 1,922,594 | 861,054 | 91,513 | 2,663,166 |
| 2. Repurchase agreements | - | - | - | - | - | - | - |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Other | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **2,974,207** | **99,046** | **2,875,161** | **1,922,594** | **861,054** | **91,513** | **X** |
| **Total 31/12/2022** | **3,579,743** | **11,564** | **3,568,179** | **696,615** | **208,398** | **X** | **2,663,166** |

## 7. FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

| | Gross amount of financial liabilities (a) | Financial assets offset (b) | Net amount of financial liabilities reported (c=a-b) | Related amounts not offset | | Net amount (f=c-d-e) 31/12/2023 | Net amount 31/12/2022 |
|---|---|---|---|---|---|---|---|
| | | | | Financial instruments (d) | Cash collateral received (e) | | |
| 1. Derivatives | 2,169,824 | 99,046 | 2,070,778 | 2,154,774 | 120,282 | (204,278) | 800,167 |
| 2. Repurchase agreements | - | - | - | - | - | - | - |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Other | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **2,169,824** | **99,046** | **2,070,778** | **2,154,775** | **120,282** | **(204,278)** | **X** |
| **Total 31/12/2022** | **2,045,996** | **11,564** | **2,034,432** | **1,053,702** | **180,563** | **X** | **800,167** |

## 8. SECURITIES LENDING TRANSACTIONS

No information to report.

## 9. DISCLOSURES ON JOINT ARRANGEMENTS

No information to report.

# 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 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| **1. Financial assets measured at fair value through profit or loss** | **19,353** | **4,595** | **-** | **23,948** | **12,791** |
| 1.1 Financial assets held for trading | 3,654 | - | - | 3,654 | 746 |
| 1.2 Financial assets designated at fair value | 5,468 | 49 | - | 5,517 | 2,074 |
| 1.3 Other financial assets mandatorily at fair value | 10,231 | 4,546 | - | 14,777 | 9,971 |
| **2. Financial assets measured at fair value through other comprehensive income** | **176,878** | **-** | **X** | **176,878** | **133,193** |
| **3. Financial assets measured at amortized cost** | **1,349,766** | **4,297,901** | **-** | **5,647,667** | **4,294,763** |
| 3.1 Due from banks | 43,986 | 138,735 | X | 182,721 | 41,731 |
| 3.2 Loans to customers | 1,305,780 | 4,159,166 | X | 5,464,946 | 4,253,031 |
| **4. Hedging derivatives** | **X** | **X** | **71,139** | **71,139** | **(616,146)** |
| **5. Other assets** | **X** | **X** | **190,142** | **190,142** | **94,044** |
| **6. Financial liabilities** | **X** | **X** | **X** | **2,802** | **193,691** |
| **Total** | **1,545,997** | **4,302,496** | **261,281** | **6,112,576** | **4,112,336** |
| of which: interest income on impaired financial assets | 4 | 155,906 | - | 155,910 | 136,023 |
| of which: interest income on finance leases | X | 211,183 | X | 211,183 | 130,547 |

Interest on loans to customers include interest income in respect of loans to customers of €4.2 billion, up by €1.7 billion compared with the end of the previous year, to due to the increase in rate during the period, mainly on loans to households and non-financial companies.

Interest income on debt securities came to €1.5 billion and mainly includes interest on securities issued by government entities. The amount represents a decrease of €395 million on December 31, 2022, reflecting a contraction in the stock of securities holdings and a decline in the performance of BTPi.

“Hedging derivatives” include differences on hedging derivatives adjusting interest income on the hedged financial instruments, securities and loans.

The amount reported under “Other assets” regards interest income on tax credits associated with government tax incentive programs established in 2020 in response to the COVID-19 pandemic (the “ecobonus” building renovation program).

### 1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

#### 1.2.1 INTEREST INCOME ON FOREIGN-CURRENCY FINANCIAL ASSETS

Interest received on financial assets in foreign currency totals approximately €14 million and mainly regards current accounts and deposits (€5.3 million) and other financing (€6.6 million).

## 1.3 INTEREST AND SIMILAR EXPENSE: COMPOSITION

| | Debt | Securities | Other transactions | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| **1. Financial liabilities measured at amortized cost** | **(1,735,690)** | **(268,048)** | **X** | **(2,003,738)** | **(372,838)** |
| 1.1 Due to central banks | (677,081) | X | X | (677,081) | (538) |
| 1.2 Due to banks | (71,520) | X | X | (71,520) | (28,465) |
| 1.3 Due to customers | (987,089) | X | X | (987,089) | (183,195) |
| 1.4 Securities issued | X | (268,048) | X | (268,048) | (160,639) |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **(52)** |
| **3. Financial liabilities designated at fair value** | **-** | **-** | **-** | **-** | **(49)** |
| **4. Other liabilities and provisions** | **X** | **X** | **(2,829)** | **(2,829)** | **(1,906)** |
| **5. Hedging derivatives** | **X** | **X** | **(1,227)** | **(1,227)** | **1,375** |
| **6. Financial assets** | **X** | **X** | **X** | **(9,849)** | **(45,182)** |
| **Total** | **(1,735,690)** | **(268,048)** | **(4,056)** | **(2,017,643)** | **(418,650)** |
| of which: interest expense on finance leases | (9,332) | X | X | (9,332) | (9,186) |

The item 1.1 “Due to central banks” includes interest on the TLTRO loan from the European Central Bank. The increase compared with 2022 is associated with the change in the sign of the rate applied to the loan since the end of last year.

The increase in item 1.3 “Due to customers” reflects the increase in interest rates on funding from customers in the period.

The item 1.4 “Securities issued” regards interest expense accrued in the period on bonds and certificates of deposit measured at amortized cost. The increase on 2022 is connected with issues carried out by the Group in the final part of the year.

## 1.4 INTEREST AND SIMILAR EXPENSE: OTHER INFORMATION

### 1.4.1 INTEREST EXPENSE ON FOREIGN-CURRENCY LIABILITIES

Interest expense incurred by the Group on foreign-currency liabilities amounted to €10.4 million and is essentially accounted for by current accounts and deposits.

## 1.5 DIFFERENCES ON HEDGING TRANSACTIONS

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| A. Positive differences on hedging transactions: | 159,266 | 3,792 |
| B. Negative differences on hedging transactions: | (89,354) | (618,563) |
| **C. Balance (A-B)** | **69,912** | **(614,771)** |

## SECTION 2 - FEES AND COMMISSIONS – ITEMS 40 AND 50

### 2.1 FEE AND COMMISSION INCOME: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| a) Financial instruments | 99,678 | 81,183 |
| 1. Securities placement | 25,638 | 21,211 |
| 1.1 With underwriting and/or with irrevocable commitment | - | - |
| 1.2 Without irrevocable commitment | 25,638 | 21,211 |
| 2. Order receipt and transmission and order execution for customers | 32,471 | 27,164 |
| 2.1 Order receipt and transmission for one or more financial instruments | 29,278 | 24,797 |
| 2.2 Order execution for customers | 3,193 | 2,367 |
| 3. Other fees and commissions connected with financial instruments | 41,569 | 32,808 |
| of which: trading on own account | 703 | 749 |
| of which: individual portfolio management | 40,890 | 32,059 |
| b) Corporate finance | 11 | 373 |
| 1. Merger and acquisition advisory services | - | - |
| 2. Treasury services | - | - |
| 3. Other fees and commissions connected with corporate finance services | 11 | 373 |
| c) Investment advisory services | 3,047 | 2,971 |
| d) Clearing and settlement | - | - |
| e) Collective portfolio management | 54,452 | 51,349 |
| f) Custody and administration | 8,245 | 7,307 |
| 1. Depository bank | - | - |
| 2. Other fees and commissions connected with custody and administration services | 8,245 | 7,307 |
| g) Central administrative services for collective portfolio management | - | - |
| h) Trustee services | - | - |
| i) Payment services | 1,064,647 | 1,020,206 |
| 1. Current accounts | 559,643 | 547,460 |
| 2. Credit cards | 61,344 | 40,761 |
| 3. Debit cards and other payment cards | 56,457 | 229,825 |
| 4. Credit transfers and other payment orders | 176,214 | 164,829 |
| 5. Other fees and commissions connected with payment services | 210,989 | 37,331 |
| j) Distribution of third-party services | 268,919 | 266,536 |
| 1. Collective portfolio management | 125 | 153 |
| 2. Insurance products | 108,995 | 119,957 |
| 3. Other products | 159,799 | 146,426 |
| of which: individual portfolio management | 6,249 | 5,317 |
| k) Structured finance | - | - |
| l) Securitization servicing | 1,384 | 2,068 |
| m) Commitments to disburse funds | - | - |
| n) Financial guarantees issued | 25,131 | 24,673 |
| of which: credit derivatives | - | - |
| o) Lending transactions | 14,841 | 15,306 |
| of which: for factoring transactions | 5,855 | 5,532 |
| p) Currency trading | 5,841 | 5,791 |
| q) Goods | - | - |
| r) Other fee and commission income | 70,566 | 77,121 |
| of which: for management of multilateral trading facilities | - | - |
| of which: for management of organized trading facilities | - | - |
| **Total** | **1,616,762** | **1,554,884** |

The composition of fee and commission income, totaling €1.6 billion, substantially unchanged from December 31, 2022, reflects the operations of the Group's mutual banks, which are typically composed of customer current accounts (€559.6 million), other payment services (€505 million) and distribution of third-party products and services (€268.9 million, including insurance products for €109 million).

Fees and commissions concerning item e) collective portfolio management came to €54.5 million 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 €40.9 million.

The following table provides disclosures on the breakdown by business segment of revenues from contracts with customers, as required under IFRS 15, paragraphs 114 and 115.

| €/thousands | CORPORATE | INSTITUTIONAL | RETAIL | MUTUAL BANKS | INTER-SEGMENT TRANSACTIONS | TOTAL |
|---|---|---|---|---|---|---|
| Guarantees issued | 90 | 3,096 | - | 24,086 | (2,141) | 25,131 |
| Management, intermediation and advisory services | - | 32,838 | 82,258 | 195,424 | (145,086) | 165,433 |
| Holding and management of current accounts | - | 112,367 | - | 1,892 | (52,915) | 61,344 |
| Collection and payment services | 16 | 549,590 | 147 | 494,875 | (539,625) | 505,004 |
| Distribution of third-party products | 5,541 | 5,718 | 148,385 | 194,277 | (85,001) | 268,920 |
| Other services | 8,914 | (79,420) | 2,418 | 641,071 | 17,948 | 590,931 |
| **Fee and commission income** | **14,561** | **624,189** | **233,207** | **1,551,625** | **(806,820)** | **1,616,762** |

As regards the other disclosures required under IFRS 15, the main types of revenues from contracts with customers are recognized as follows:

- fees and commissions from the management of individual and collective portfolios are mainly recognized “over time”;
- fees and commissions from securities placement are recognized “at a point in time”;
- fees and commissions from order collections and transmission are mainly recognized “at a point in time”;
- fees from the distribution of third-party products are typically recognized “at a point in time”;
- fees and commissions from collection and payment services are recognized “at a point in time”;
- fees and commissions from holding and managing current accounts and other services are recognized “at a point in time” or “over time”, depending on the specific nature of the fees and commissions.

## 2.2 FEE AND COMMISSION EXPENSE: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| a) Financial instruments | (6,373) | (5,442) |
| of which: trading in financial instruments | (3,148) | (1,883) |
| of which: placement of financial instruments | (111) | (147) |
| of which: individual portfolio management | (3,113) | (3,412) |
| - Own | (2,904) | (3,092) |
| - Delegated to third parties | (209) | (320) |
| b) Clearing and settlement | (1,964) | (1,872) |
| c) Collection portfolio management | - | - |
| 1. Own | - | - |
| 2. Delegated to third parties | - | - |
| d) Custody and administration | (3,931) | (3,013) |
| e) Collection and payment services | (226,066) | (177,672) |
| of which: credit cards, debit cards and other payment cards | (216,672) | (165,953) |
| f) Securitization servicing | (1,835) | (3,496) |
| g) Commitments to receive funds | - | - |
| h) Financial guarantees received | (2,865) | (2,206) |
| of which: credit derivatives | - | - |
| i) Off-premises marketing of financial instruments, products and services | (3,718) | - |
| j) Currency trading | (546) | (592) |
| k) Other fee and commission expense | (21,275) | (22,242) |
| **Total** | **(268,573)** | **(216,535)** |

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES – ITEM 70

### 3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

| | Total 31/12/2023 | | Total 31/12/2022 | |
|---|---|---|---|---|
| | Dividends | Similar revenues | Dividends | Similar revenues |
| A. Financial assets held for trading | 15 | 1 | 44 | 393 |
| B. Other financial assets mandatorily measured at fair value | 2,744 | 1,040 | 1,964 | 1,213 |
| C. Financial assets measured at fair value through other comprehensive income | 19,349 | 300 | 20,268 | - |
| D. Equity investments | 608 | - | 470 | - |
| **Total** | **22,716** | **1,341** | **22,746** | **1,606** |

The main components of this item include dividends received on the interest held in the Bank of Italy in the amount of €17 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** | **2,588** | **26,681** | **(1,153)** | **(12,724)** | **15,392** |
| 1.1 Debt securities | 1,269 | 10,639 | (215) | (3,866) | 7,827 |
| 1.2 Equity securities | 13 | 753 | (234) | (145) | 387 |
| 1.3 Units in collective investment undertakings | 229 | 669 | (80) | (51) | 767 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | 1,077 | 14,620 | (624) | (8,662) | 6,411 |
| **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** | **89,307** |
| **4. Derivatives** | **198,323** | **813,582** | **(321,805)** | **(679,494)** | **(68,483)** |
| 4.1 Financial derivatives: | 198,323 | 813,582 | (321,805) | (679,494) | (68,483) |
| - on debt securities and interest rates | 196,023 | 813,582 | (321,648) | (676,674) | 11,284 |
| - on equity securities and equity indices | 2,300 | - | (157) | (2,821) | (678) |
| - on foreign currencies and gold | X | X | X | X | (79,089) |
| - other | - | - | - | - | - |
| 4.2 Credit derivatives | - | - | - | - | - |
| of which: natural hedges connected with fair value option | X | X | X | X | - |
| **Total** | **200,911** | **840,263** | **(322,958)** | **(692,218)** | **36,216** |

The net gain/(loss) on “Financial assets and liabilities: foreign exchange differences” reports the balance of changes in the value of financial assets and liabilities denominated in foreign currencies, regardless of the accounting portfolio in which they are recognized, which correlate with the amount reported under “Financial derivatives on foreign currencies and gold”.

## SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

### 5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Gain on:** | | |
| A.1 Fair value hedges | 301,077 | 2,728,642 |
| A.2 Hedged financial assets (fair value) | 598,424 | 8,967 |
| A.3 Hedged financial liabilities (fair value) | 61 | 4,139 |
| A.4 Cash flow hedges | 28 | 134 |
| A.5 Assets and liabilities in foreign currencies | - | - |
| **Total income on hedging activities (A)** | **899,590** | **2,741,882** |
| **B. Loss on:** | | |
| B.1 Fair value hedges | (813,203) | (48,195) |
| B.2 Hedged financial assets (fair value) | (63,478) | (2,694,176) |
| B.3 Hedged financial liabilities (fair value) | (7,611) | (180) |
| B.4 Cash flow hedges | (229) | (547) |
| B.5 Assets and liabilities in foreign currencies | - | - |
| **Total expense on hedging activities (B)** | **(884,521)** | **(2,743,098)** |
| **C. Net gain (loss) on hedging activities (A - B)** | **15,069** | **(1,216)** |
| of which: net gain (loss) of hedges of net positions | - | - |

As indicated in Part A “Accounting policies” of these notes to the financial statements, 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 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Gains | Losses | Net gain (loss) | Gains | Losses | Net gain (loss) |
| **Financial assets** | | | | | | |
| 1. Financial assets measured at amortized cost | 226,450 | (134,221) | 92,229 | 311,912 | (202,503) | 109,409 |
| 1.1 Due from banks | 1,859 | (835) | 1,024 | 1,037 | (92) | 945 |
| 1.2 Loans to customers | 224,591 | (133,386) | 91,205 | 310,875 | (202,410) | 108,464 |
| 2. Financial assets measured at fair value through other comprehensive income | 46,291 | (77,754) | (31,463) | 43,858 | (112,589) | (68,731) |
| 2.1 Debt securities | 46,291 | (77,754) | (31,463) | 43,858 | (112,589) | (68,731) |
| 2.2 Loans | - | - | - | - | - | - |
| **Total assets (A)** | **272,741** | **(211,975)** | **60,766** | **355,770** | **(315,092)** | **40,678** |
| **Financial liabilities measured at amortized cost** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | 100 | - | 100 | - | - | - |
| 3. Securities issued | 980 | (5) | 975 | 817 | (343) | 474 |
| **Total liabilities (B)** | **1,080** | **(5)** | **1,075** | **817** | **(343)** | **474** |

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 €61.8 million and is mainly attributable to gains on the disposal of loans by banks of the Group (€100.8 million), and losses on the disposal of debt securities measured at amortized cost and assets measured at FV through other comprehensive income (net €40 million).

## 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** | **3,598** | **1,243** | **(2,592)** | **(161)** | **2,088** |
| 1.1 Debt securities | 3,526 | 1,243 | (2,550) | (161) | 2,058 |
| 1.2 Loans | 72 | - | (42) | - | 30 |
| **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** | **3,598** | **1,243** | **(2,592)** | **(161)** | **2,088** |

The net gain for the item essentially regards 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

| | Capital gains (A) | Profits on realization (B) | Capital losses (C) | Losses on realization (D) | Net gain (loss) [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets** | **29,268** | **12,269** | **(27,991)** | **(6,130)** | **7,416** |
| 1.1 Debt securities | 6,794 | 2,481 | (790) | (2,240) | 6,245 |
| 1.2 Equity securities | 11,077 | 7,403 | (1,815) | (1,616) | 15,049 |
| 1.3 Units in collective investment undertakings | 6,278 | 2,381 | (19,070) | (2,259) | (12,670) |
| 1.4 Loans | 5,119 | 4 | (6,316) | (15) | (1,208) |
| **2. Financial assets: foreign exchange rate differences** | **X** | **X** | **X** | **X** | **(77)** |
| **Total** | **29,268** | **12,269** | **(27,991)** | **(6,130)** | **7,339** |

Item 1.2 Equity securities includes the capital gains realized on a number of equity securities, including Visa and LSEG, in the amount of €7.2 million.

## 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) | | | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| | | | Writeoffs | Other | Writeoffs | Other | | | | | | |
| **A. Due from banks** | **(6,747)** | **(788)** | **-** | **-** | **-** | **-** | **2,108** | **1,318** | **-** | **-** | **(4,109)** | **5,113** |
| - loans | (4,980) | (223) | - | - | - | - | 476 | 70 | - | - | (4,657) | 4,855 |
| - debt securities | (1,767) | (565) | - | - | - | - | 1,632 | 1,248 | - | - | 548 | 258 |
| **B. Loans to customers** | **(283,852)** | **(158,269)** | **(108,997)** | **(1,132,274)** | **-** | **(285)** | **392,535** | **172,963** | **719,121** | **1,422** | **(397,636)** | **(478,935)** |
| - loans | (281,792) | (145,847) | (108,997) | (1,132,068) | - | (285) | 388,394 | 171,288 | 719,106 | 1,422 | (388,779) | (478,848) |
| - debt securities | (2,060) | (12,422) | - | (206) | - | - | 4,141 | 1,675 | 15 | - | (8,857) | (86) |
| **Total** | **(290,599)** | **(159,057)** | **(108,997)** | **(1,132,274)** | **-** | **(285)** | **394,643** | **174,281** | **719,121** | **1,422** | **(401,745)** | **(473,822)** |

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 December 31, 2023, net losses for credit risk in respect of loans to customers came to €388.8 million, down from 2022 both in relation to the evolution of the models for measuring the credit risk parameters for performing positions and to the robust monitoring of non-performing positions implemented by the Group since its establishment, with a coverage ratio for those positions of 72.2%.

## 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) | | | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| | | | Writeoffs | Other | Writeoffs | Other | | | | | | |
| **A. Debt securities** | **(1,492)** | **(2,298)** | **-** | **-** | **-** | **-** | **1,560** | **2,038** | **-** | **-** | **(192)** | **(2,860)** |
| **B. Loans** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - to customers | - | - | - | - | - | - | - | - | - | - | - | - |
| - to banks | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **(1.492)** | **(2.298)** | **-** | **-** | **-** | **-** | **1.560** | **2.038** | **-** | **-** | **(192)** | **(2.860)** |

## SECTION 9 - GAINS (LOSSES) FROM CONTRACT MODIFICATIONS WITHOUT DERECOGNITION – ITEM 140

### 9.1 GAINS (LOSSES) FROM CONTRACT MODIFICATIONS: COMPOSITION

The item, a negative €5.6 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 10 - PROFIT (LOSS) FROM INSURANCE SERVICES - ITEM 160

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 11 - NET FINANANCIAL INCOME (EXPENSE) FROM INSURANCE ACTIVITIES - ITEM 170

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 12 - ADMINISTRATIVE EXPENSES – ITEM 190

### 12.1 PERSONNEL EXPENSES: COMPOSITION

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| 1) Employees | | (1,827,621) | (1,736,091) |
| a) wages and salaries | | (1,244,465) | (1,186,019) |
| b) social security contributions | | (306,658) | (291,878) |
| c) termination benefits | | (18,983) | (31,750) |
| d) pension expenditure | | (4) | (7) |
| e) allocation to employee termination benefit provision | | (16,541) | (13,257) |
| f) allocation to provision for post-employment benefits and similar obligations: | | - | - |
| - defined contribution | | - | - |
| - defined benefit | | - | - |
| g) payments to external pension funds: | | (111,510) | (92,799) |
| - defined contribution | | (111,299) | (92,625) |
| - defined benefit | | (211) | (174) |
| h) costs from share-based payment plans | | - | - |
| i) other employee benefits | | (129,460) | (120,381) |
| 2) Other personnel | | (19,392) | (17,911) |
| 3) Board of Directors and members of Board of Auditors | | (51,906) | (50,512) |
| 4) Retired personnel | | (1) | - |
| | **Total** | **(1,898,920)** | **(1,804,514)** |

Group personnel expenses totaled €1.9 billion, up from the end of the previous year, also in relation to the renewal of the national collective bargaining agreement in 2022.

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.

### 12.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **Employees:** | **21,417** | **21,117** |
| a) senior management | 369 | 371 |
| b) middle management | 6,537 | 6,202 |
| c) other employees | 14,511 | 14,544 |
| **Other personnel** | **326** | **326** |
| **Total** | **21,743** | **21,443** |

### 12.3 DEFINED-BENEFIT COMPANY PENSION PLANS: TOTAL COSTS AND REVENUES

At the reporting date, the company had no defined-benefit pension plans, with no associated costs or revenues.

### 12.4 OTHER EMPLOYEE BENEFITS

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Early termination incentives and income support fund | (37,295) | (30,342) |
| Lunch vouchers | (29,496) | (29,208) |
| Insurance policies | (7,897) | (8,165) |
| Medical checkups | (462) | (817) |
| Training | (6,966) | (5,831) |
| Long-service bonuses | (3,421) | 943 |
| Other benefits | (43,923) | (46,961) |
| **Total** | **(129,460)** | **(120,381)** |

The item includes, among others, charges for early termination incentives and the income support fund in the amount of €37.3 million, lunch vouchers in the amount of €29.5 million and insurance policies for employees in the amount of €7.9 million.

Other benefits include spending connected with the extraordinary initiative of the Group to counter the impact of rising prices.

## 12.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| Information technology | | (208,805) | (194,320) |
| Property and movables | | (81,190) | (83,604) |
| - rental and fees | | (10,685) | (11,178) |
| - ordinary maintenance | | (62,193) | (64,127) |
| - security | | (8,311) | (8,299) |
| Goods and services | | (175,584) | (202,266) |
| - telephone and data transmission | | (56,798) | (68,843) |
| - postal | | (23,360) | (22,938) |
| - asset transport and counting | | (19,263) | (18,864) |
| - electricity, heating and water | | (42,771) | (61,956) |
| - transportation and travel | | (19,215) | (15,044) |
| - office supplies and printed materials | | (11,563) | (11,935) |
| - subscriptions, magazines and newspapers | | (2,615) | (2,686) |
| Professional services | | (178,551) | (180,837) |
| - professional fees (other than audit fees) | | (96,912) | (80,038) |
| - audit fees | | (7,726) | (6,609) |
| - legal and notary costs | | (36,972) | (58,581) |
| - court costs, information and title searches | | (36,941) | (35,609) |
| Administrative services | | (51,918) | (39,252) |
| Insurance | | (23,480) | (23,942) |
| Promotional, advertising and entertainment expenses | | (61,289) | (52,868) |
| Association dues | | (34,131) | (27,178) |
| Donations | | (8,986) | (5,976) |
| Other | | (30,647) | (38,407) |
| Indirect taxes and duties | | (397,508) | (400,587) |
| | **Total** | **(1,252,090)** | **(1,249,237)** |

Other administrative expenses totaled €1,252 million and are essentially unchanged with the previous year.

Indirect tax and duties include 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 €131 million.

Pursuant to Article 2427, paragraph 16-bis of the Italian Civil Code, we set out below the fees paid in 2023 to the audit firm Mazars Italia S.p.A. and to the audit firm EY S.p.A. (and network) by the Iccrea Group companies:

- statutory audit of the annual accounts (including the auditing of the interim financial statements) for about €4.2 million;
- other audit-related services (DCNF, MIFID II/MIFIR, GACS, Comfort Letter) for €1.5 million;
- other services (signing of tax returns, certifications) for about €1.5 million.

These amounts are reported net of VAT, CONSOB fees and expenses.

## 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

| | 31/12/2023 | | |
|---|---|---|---|
| | Provisions | Reallocation of excesses | Total |
| Commitments to disburse funds Stage 1 | (37,592) | 52,793 | 15,201 |
| Commitments to disburse funds Stage 2 | (13,407) | 19,722 | 6,315 |
| Commitments to disburse funds Stage 3 | (41,991) | 17,156 | (24,835) |
| Financial guarantees issued Stage 1 | (12,281) | 14,789 | 2,508 |
| Financial guarantees issued Stage 2 | (18,528) | 6,850 | (11,678) |
| Financial guarantees issued Stage 3 | (16,773) | 15,325 | (1,448) |
| **Total** | **(140,572)** | **126,635** | **(13,937)** |

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.

### 13.2 NET PROVISIONS IN RESPECT OF OTHER COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: COMPOSITION

The table has not been completed because there were no such positions as of the reporting date.

### 13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: COMPOSITION

| | 31/12/2023 | | |
|---|---|---|---|
| | Provisions | Reallocations of excesses | Total |
| Legal disputes | (36,228) | 16,331 | (19,897) |
| Other | (17,134) | 1,920 | (15,214) |
| **Total** | **(53,362)** | **18,251** | **(35,111)** |

## 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 | (178,728) | (11,530) | 658 | (189,600) |
| - Owned | (118,000) | (11,530) | 658 | (128,872) |
| - Right-of-use assets in respect of leases | (60,728) | - | - | (60,728) |
| 2 Investment property | (3,539) | (3,131) | - | (6,670) |
| - Owned | (3,539) | (3,131) | - | (6,670) |
| - Right-of-use assets in respect of leases | - | - | - | - |
| 3 Inventories | X | (2,819) | 18 | (2,801) |
| **B. Assets held for sale** | **X** | **(669)** | **-** | **(669)** |
| **Total** | **(182,267)** | **(18,149)** | **676** | **(199,740)** |

## 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 | (38,608) | (2,868) | - | (41,476) |
| 1 Owned | (46,319) | (2,868) | - | (49,187) |
| - generated internally by the Bank | (1,797) | - | - | (1,797) |
| - other | (44,522) | (2,868) | - | (47,390) |
| 2 Acquired under finance leases | - | - | - | - |
| **B. Assets held for sale** | **X** | **-** | **-** | **-** |
| **Total** | **(46,319)** | **(2,868)** | **-** | **(49,187)** |

## SECTION 16 - OTHER OPERATING EXPENSES/INCOME - ITEM 230

### 16.1 OTHER OPERATING EXPENSES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Charges connected with lease services (consultants, insurance, taxes and duties, capital losses) | (26,694) | (27,635) |
| Reductions in assets and prior-year expenses not attributable to separate line item | (16,310) | (27,488) |
| Costs of outsourced services | (80) | (36) |
| Settlement of disputes and claims | (1,063) | (289) |
| Amortization of expenditure for leasehold improvements | (9,603) | (10,146) |
| Other charges | (19,160) | (28,229) |
| **Total** | **(72,910)** | **(93,823)** |

### 16.2 OTHER OPERATING INCOME: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A) Cost recovery** | **286,884** | **269,538** |
| Recovery of taxes | 227,853 | 213,354 |
| Recovery of sundry charges | 30,495 | 24,405 |
| Insurance premiums | 2,520 | 2,918 |
| Recovery of costs from customers | 10,545 | 11,180 |
| Recovery of costs on bad loans | 15,471 | 17,681 |
| **B) Other income** | **139,532** | **137,671** |
| Insourcing revenues | 17,789 | 14,379 |
| Property rental income | 4,219 | 4,760 |
| Reductions in liabilities and prior-year income not attributable to separate line item | 30,418 | 28,541 |
| Other income from finance leases | 15,552 | 16,940 |
| Other income | 59,614 | 61,086 |
| Accelerated processing fees | 10,359 | 10,742 |
| Consolidation adjustments | 1,581 | 1,223 |
| **Total** | **426,416** | **407,209** |

The recovery of taxes and duties (stamp duty and tax in lieu), totaling €227.9 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 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **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 | 30,238 | 3,845 |
| 1. Revaluations | 13,025 | 3,845 |
| 2. Gains on disposals | - | - |
| 3. Writebacks | - | - |
| 4. Other income | 17,213 | - |
| B. Losses | (597) | (10,230) |
| 1. Writedowns | - | (9,982) |
| 2. Impairment | - | (248) |
| 3. Losses on disposal | - | - |
| 4. Other expenses | (597) | - |
| **Net profit (loss)** | - | **(6,385)** |
| **Total** | **29,641** | **(6,385)** |

The item reports the financial impact of the equity measurement of investments in associates, as well as a revaluation of €5.8 million of the interests in insurance undertakings following acquisition of control and the recognition of the earn-out of €10.4 million connected with the sale to FSI of the investment in BCC Pay 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 (a) | Writedowns (b) | Exchange rate differences | | Net result (a-b+c-d) |
|---|---|---|---|---|---|
| | | | Positive (c) | Negative (d) | |
| **A. Property, plant and equipment** | **-** | **(19,815)** | **-** | **-** | **(19,815)** |
| A.1 Operating assets: | - | - | - | - | - |
| - Owned | - | - | - | - | - |
| - Acquired under finance leases | - | - | - | - | - |
| A.2 Investment property: | - | (19,815) | - | - | (19,815) |
| - Owned | - | (19,815) | - | - | (19,815) |
| - Acquired under finance leases | - | - | - | - | - |
| A.3 Inventories | - | - | - | - | - |
| **B. Intangible assets** | **-** | **-** | **-** | **-** | **-** |
| B.1 Owned: | - | - | - | - | - |
| - Internally generated | - | - | - | - | - |
| - Other | - | - | - | - | - |
| B.2 Acquired under finance leases | - | - | - | - | - |
| **Total** | **-** | **(19,815)** | **-** | **-** | **(19,815)** |

The item reports gains/losses on the measurement of the properties contributed to consolidated real estate funds.

## SECTION 19 - GOODWILL IMPAIRMENT - ITEM 270

### 19.1 GOODWILL IMPAIRMENT: COMPOSITION

The item includes the impairment of goodwill recorded by the Group mutual banks before the establishment of the Group on the occasion of business combinations (mergers/acquisitions of branches). In 2023, impairment losses totaled €971 thousand.

For further information on the assessment of the recoverability of goodwill, please see Part B - Section 10.3 - Other information of these notes to the financial statements.

## SECTION 20 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 280

### 20.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| A. Property | (533) | (849) |
| - Gains on disposal | 1,062 | 772 |
| - Losses on disposal | (1,595) | (1,621) |
| B. Other assets | (603) | (1,231) |
| - Gains on disposal | 501 | 268 |
| - Losses on disposal | (1,104) | (1,499) |
| **Net gain (loss)** | **(1,136)** | **(2,080)** |

## SECTION 21 - INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 300

### 21.1 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Current taxes (-) | (138,916) | (126,485) |
| 2. Change in current taxes from previous period (+/-) | (584) | 4,421 |
| 3. Reduction of current taxes for the period (+) | 3,205 | 2,778 |
| 3.bis Reduction of current taxes for the period for tax credits under Law 214/2011 (+) | 14,448 | 132,351 |
| 4. Change in deferred tax assets (+/-) | (218,892) | (224,671) |
| 5. Change in deferred tax liabilities (+/-) | 6,225 | (3,331) |
| **6. Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)** | **(334,514)** | **(214,937)** |

## 21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

| IRES | 31/12/2023 | |
|---|---|---|
| | Taxable income | Tax |
| Profit (loss) before tax on continuing operations (item 290 IS) | 2,094,454 | - |
| Current rate | - | 24% |
| Theoretical tax liability (24%) | - | (502,669) |
| **Greater tax liability due to increases (taxable income)/ Greater tax liability due to increases (tax)** | **431,471** | **(103,553)** |
| Temporary | - | - |
| - Changes during the year | 367,187 | - |
| Definitive | - | - |
| - Reversal of temporary differences of previous years | 27,267 | - |
| - Changes during the year | 37,016 | - |
| **Lower tax liability due to decreases** | **2,705,287** | **649,269** |
| Temporary | - | - |
| - Changes during the year | 64,555 | - |
| Definitive | - | - |
| - Reversal of temporary differences of previous years | 1,278,534 | - |
| - Changes during the year | 1,005,593 | - |
| - Deductions up to limit of taxable income | 356,605 | - |
| Net increase in entities with tax losses | 412,813 | (99,075) |
| Taxable income (loss) | 233,451 | - |
| Current gross tax (effective tax charge) | - | (56,028) |
| IRES surtax | - | (6,115) |
| IRES income from consolidated taxation mechanism | - | 20,625 |
| Tax credits | - | 4 |
| Current net tax in income statement | - | (41,514) |
| Changes in current tax/deferred tax assets/deferred tax liabilities (+/-) | - | (165,620) |
| Tax liability for the year (a) | - | (207,134) |

| IRAP | 31/12/2023 | |
|---|---|---|
| | Taxable income | Tax |
| Profit (loss) before tax on continuing operations (item 290 IS) | 2,094,454 | - |
| Current rate | - | 4.65% |
| Theoretical tax liability (ordinary rate 4.65%) | - | (97,392) |
| Items not included in determination of income | (544,490) | 25,319 |
| *- Revenue and income (-)* | (1,725,744) | - |
| *- Costs and charges (+)* | 1,181,254 | - |
| **Greater tax liability due to increases (taxable income)/ Greater tax liability due to increases (tax)** | **934,084** | **(43,435)** |
| Temporary | - | - |
| *- Changes during the year* | 42,352 | - |
| Definitive | - | - |
| - Reversal of temporary differences of previous years | 410 | - |
| - Changes during the year | 891,322 | - |
| **Lower tax liability due to decreases** | **713,130** | **33,161** |
| Temporary | - | - |
| *- Changes during the year* | 5,044 | - |
| Definitive | - | - |
| - Reversal of temporary differences of previous years | 633,391 | - |
| - Changes during the year | 74,695 | - |
| Net increase in entities with tax losses | 14,913 | (693) |
| Value of production | 1,785,831 | - |
| Current tax | - | (83,041) |
| Effect of regional surtaxes/tax relief (+/-) | - | (14,360) |
| Current tax in income statement | - | (97,402) |
| Changes in current tax/deferred tax assets/deferred tax liabilities (+/-) | - | (29,978) |
| Tax liability for the year | - | (127,380) |
| **Total income tax expense (item 300 IS)** | | **(334,514)** |

## 22 - PROFIT (LOSS) AFTER TAXES ON DISCONTINUED OPERATIONS - ITEM 320

### 22.1 PROFIT (LOSS) AFTER TAXES ON DISCONTINUED OPERATIONS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Revenue | 133,817 | 231,568 |
| 2. Expense | (97,456) | (206,763) |
| 3. Result of measurement of groups of assets and associated liabilities | - | - |
| 4. Gain (loss) on realization | 100,000 | 430,490 |
| 5. Taxes and duties | (38,695) | (13,627) |
| **Profit (loss)** | **97,666** | **441,668** |

At December 31, 2023, the item mainly reports: (i) the net profit from the disposal of correspondent banking operations (€79 million) and (ii) the net profit of the insurance companies BCC Vita and BCC Assicurazioni (€18.5 million), which were consolidated in the last quarter of the year following the acquisition of control and are represented in the consolidated financial statements in accordance with IFRS 5.

In 2022 the item reported the net profit of the e-money operations, sold during the year, and the gain recognized by the Group on the disposal of Pay to FSI.

### 22.2 BREAKDOWN OF INCOME TAXES OF DISCONTINUED OPERATIONS

| | Amount 31/12/2023 | Amount 31/12/2022 |
|---|---|---|
| 1. Current taxes (-) | (38,695) | (13,627) |
| 2. Change in deferred tax assets (+/-) | - | - |
| 3. Change in deferred tax liabilities (-/+) | - | - |
| **4. Income taxes for the period (-1+/-2+/-3)** | **(38,695)** | **(13,627)** |

## 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 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **Consolidated equity investments with significant non-controlling interests** | | |
| 1. Coopersystem Società Cooperativa | 1,237 | 9,083 |
| 2. Other equity investments | - | (26) |
| **Total** | **1,237** | **9,057** |

## SECTION 24 - OTHER INFORMATION

No other information necessary.

## SECTION 25 - EARNINGS PER SHARE

The ordinary shares of the Parent Company, Iccrea Banca, are not traded on a public market and the company does not file its financial statements with CONSOB in order to issue ordinary shares on a public market. Accordingly, IAS 33 does not apply.

### 25.1 AVERAGE NUMBER OF ORDINARY SHARES IN DILUTED SHARE CAPITAL

The table has not been completed because there were no such positions as of the reporting date.

### 25.2 OTHER INFORMATION

No further information to report.

# PART D - CONSOLIDATED COMPREHENSIVE INCOME

## BREAKDOWN OF COMPREHENSIVE INCOME

| | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **10.** | **Net profit (loss) for the period** | **1,857,606** | **1,796,109** |
| | **Other comprehensive income not recyclable to profit or loss** | **6,482** | **28,552** |
| 20. | Equity securities designated as at fair value through other comprehensive income: | 13,520 | 1,523 |
| | a) fair value changes | 13,483 | 4,271 |
| | b) transfers to other elements of shareholders' equity | 37 | (2,748) |
| 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 shareholders' 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 | (3,907) | 32,033 |
| 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 | (3,131) | (5,004) |
| | **Other comprehensive income recyclable to profit or loss** | **224,910** | **(449,125)** |
| 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: | 81,986 | (91,909) |
| | a) fair value changes | 77,228 | (83,390) |
| | b) reversal to income statement | (2,720) | (2,242) |
| | c) other changes | 7,478 | (6,277) |
| | 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: | 228,135 | (443,527) |
| | a) fair value changes | 161,880 | (430,473) |
| | b) reversal to income statement | 64,689 | (13,297) |
| | 1. adjustments for credit risk | 20 | 1,415 |
| | 2. gain/loss on realization | 64,669 | (14,712) |
| | c) other changes | 1,566 | 243 |
| 170. | Non-current assets and disposal groups held for sale: | 13,270 | - |
| | a) fair value changes | 13,270 | - |
| | b) reversal to income statement | - | - |
| | c) other changes | - | - |
| 180. | Valuation reserves of equity investments accounted for with equity method: | (26) | (83,685) |
| | a) fair value changes | (26) | (83,685) |
| | b) reversal to income statement | - | - |
| | 1. impairment adjustments | - | - |
| | 2. gain/loss on realization | - | - |
| | c) other changes | - | - |
| 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 | (98,455) | 169,996 |
| **220.** | **Total other comprehensive income** | **231,392** | **(420,573)** |
| **230.** | **Comprehensive income (item 10+220)** | **2,088,998** | **1,375,536** |
| 240. | Consolidated comprehensive income pertaining to non-controlling interests | 1,237 | 9,057 |
| **250.** | **Consolidated comprehensive income pertaining to shareholders of the Parent Company** | **2,087,761** | **1,366,479** |

# 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 2023 the organizational structure of Risk Management function of the Parent Company underwent further fine-tuning, both in terms of the evolution of the overall structure 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 concerning ESG risks and issues. This unit is sub-divided into the following organizational units:
    - the "Mutual banks Risk Management units" (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;
    - "BCC 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). In addition, operating through a specific sub-unit, the unit acts as the internal reference unit within the Risk management function for climate and environmental risks and ESG issues;
- 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 estimation, integration and management of specific risks, as well as the assessment and monitoring of those risks, the identification of any risk mitigation

measures; (ii) acting through the Risk Validation and Control function, the unit validates models developed internally to quantify risks and manages risk control arrangements for credit exposures at the Group level; (iii) oversees risk management activities for the companies within the direct scope, governed by a specific service agreement, coordinating communication with the other specialized units of the Risk Management function; iv) 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. This unit is sub-divided into the following organizational units:

- Credit Risk Management
- Financial Risk Management
- Operational & Reputational Risk Management
- Validation and Risk Control;

- an "*ICT & Security Risk Management*" unit, which is responsible for the management and oversight of ICT and Security risks at the Group level. 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. In this context, the function operates as a transversal competence center for the definition and evolutionary maintenance of the ICT and Security risk management 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 as a Group, 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 ICBG’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 | 137,870 | 680,650 | 194,503 | 1,359,182 | 143,108,396 | 145,480,602 |
| 2. Financial assets measured at fair value through other comprehensive income | 18 | - | - | - | 7,189,042 | 7,189,060 |
| 3. Financial assets designated as at fair value | - | - | - | - | 317,077 | 317,077 |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | 468,192 | 468,192 |
| 5. Financial assets held for sale | - | - | - | - | - | - |
| **Total 31/12/2023** | **137,888** | **680,650** | **194,503** | **1,359,182** | **151,082,707** | **153,454,931** |
| **Total 31/12/2022** | **290,962** | **956,360** | **262,102** | **1,234,169** | **156,709,110** | **159,452,703** |

## 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 | 3,650,612 | 2,637,588 | 1,013,023 | 486,655 | 145,438,524 | 970,946 | 144,467,578 | 145,480,602 |
| 2. Financial assets measured at fair value through other comprehensive income | 18 | - | 18 | - | 7,196,644 | 7,601 | 7,189,042 | 7,189,060 |
| 3. Financial assets designated as at fair value | - | - | - | - | X | X | 317,077 | 317,077 |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | X | X | 468,192 | 468,192 |
| 5. Financial assets held for sale | - | - | - | - | - | - | - | - |
| **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** |
| **Total 31/12/2022** | **4,692,469** | **3,183,046** | **1,509,423** | **485,668** | **158,011,897** | **1,107,836** | **157,943,280** | **159,452,703** |

| | Assets with evidently poor credit quality | | Other assets |
|---|---|---|---|
| | Cumulative losses | Net exposure | Net exposure |
| 1. Financial assets held for trading | - | 32 | 215,309 |
| 2. Hedging derivatives | - | - | 951,258 |
| **Total 31/12/2023** | **-** | **32** | **1,166,567** |
| **Total 31/12/2022** | **-** | **30** | **2,142,514** |

*Value to be reported for information purposes

## B. DISCLOSURES ON STRUCTURED ENTITIES (OTHER THAN SECURITIZATION VEHICLES)

Consistent with IFRS 12, the Group defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Group has exposures to structured entities that mainly operate as special purpose vehicles for securitizations and closed- or open-end securities/real estate investment funds in which the Group has subscribed units or to which it has lent funds.

For the purpose of this section, transactions carried out with special purpose securitization vehicles are not considered. For more on that type of structured entity, please see section C. Securitization and section E. Disposals in Part E of the notes to the consolidated financial statements.

### B.1 CONSOLIDATED STRUCTURED ENTITIES

In the Group, consolidated structured entities are represented by closed-end real estate investment funds over which the Group exercises control in accordance with international accounting standards as a result of the subscription of a number of units sufficient to expose the Group to variable returns from the involvement and give it the ability to manage the underlying portfolio directly or indirectly.

The following table summarizes the on-and off-balance-sheet exposures held by Group companies in respect of those entities.

| Type of structured entity | Total Assets | Off-balance-sheet exposures |
|---|---|---|
| Investment funds | 360,826 | - |

### B.2 STRUCTURED ENTITIES NOT CONSOLIDATED FOR ACCOUNTING PURPOSES

### B.2.1 STRUCTURED ENTITIES CONSOLIDATED FOR SUPERVISORY PURPOSES

The Group does not have exposures to structured entities that are unconsolidated for accounting purposes but consolidated for supervisory purposes.

### B.2.2 OTHER STRUCTURED ENTITIES

**QUALITATIVE DISCLOSURES**

The Group has exposures to unconsolidated structured entities, mainly regarding units subscribed and loans granted to securities/real estate investment funds (collective investment undertakings - CIUs).

These entities are not consolidated since the Group only holds minority interests, is not the fund manager and is not able to influence its returns.

During the period under review, the Group did not provide and does not intend to provide financial or other support to unconsolidated structured entities and has not acted as a sponsor of these entities.

## QUANTITATIVE DISCLOSURES

| | Asset portfolios (*) | Total assets (A) | Liability portfolios | Total liabilities (B) | Net carrying amount (C=A-B) | Maximum exposure to loss risk (E) | Difference between exposure to loss risk and carrying amount (E=D-C) |
|---|---|---|---|---|---|---|---|
| **1. Vehicles** | - | - | - | - | - | - | - |
| **2. CIUs** | | | | | | | |
| | HFT | 10,200 | | | 10,200 | 10,200 | |
| | MFV | 410,763 | | | 410,763 | 410,763 | |

*(*) MFV = financial assets mandatorily measured at fair value; HFT= financial assets held for trading*

## 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.

As Parent Company, Iccrea Banca 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, in agreement with the Parent Company;
- 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 CLO 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 credit transactions from companies in 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 seeks to mitigate risk and limit new expected defaults using specific operational tools. This process breaks down into a number of management phases, which provide for:

- the timely detection of exposures affected by an appreciable increase in credit risk;

- their allocation to portfolios characterized by an increasing level of risk;
- the definition of the intervention strategy and the identification of the most appropriate measures to contain risk.

## 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, verifying the adequacy and comprehensiveness of the processes and activities performed by the relevant units, the consistency and validity of the analyses performed and the associated findings.

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.

The performance of this activity involved, over two six-month cycles, 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 and, at the end of the year, the preparation of a summary of the profiling of the credit risk of individual Group entities.

### 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, 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, in particular the PD, by type of counterparty, sector of economic activity and geographical area. 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%.

At 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.

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 current ECL calculation, which led to the definition of an activity plan for the improvement of the system.

As noted above, 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.

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 ordinary updating of the macroeconomic scenarios was applied in accordance with the most update of those scenarios (September 2023.

### 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 lending institution shall take all appropriate steps 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 formalization of techniques and operating procedures adequate to ensure continuing compliance over time with the general and specific requirements required for CRM techniques. These procedures must be valid and applied by all Group companies in order to avoid possible inconsistencies in the assessment. Checks shall be 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 counterparties shall also be controlled and managed.

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.

## 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.

Credit exposures that have been granted a forbearance measure[38] by the Bank in the event that the customer is in or close to a situation of financial difficulty in meeting its payment obligations ("troubled debt") are defined such as "forbearance exposures".

In identifying forborne exposures, the regulations require a transaction-by-transaction approach, regardless of their classification (impaired past due and/or overlimit exposures, unlikely to pay exposures or defaults): although the state of financial difficulty must be ascertained at level of the debtor, only the exposures referred to the latter that have actually been granted forbearance measures must be classified as forborne.

These classification rules are further supplemented by that established in IFRS 9, according to which credit exposures must be allocated to three stages (for more details, see the previous discussion). Among impaired exposures, allocation to stage "3" is underscored, which occurs when the customer's status changes to "non-performing".

For the purposes of identifying non-performing exposures, the Group:

- has operational arrangements under which, depending on the intervention to be undertaken, positions can be managed using a centralized approach by the competent Parent Company functions, a decentralized approach by the individual Group companies or a collaborative approach between the Parent Company and Group companies;
- applies a unified and harmonized definition of NPLs in all Group companies, consistent with the applicable regulatory provisions;

[38] In general, a forbearance measure means an operation by which the creditor, applying principles of economic rationality, grants forbearance to the borrower in consideration of the borrower's financial difficulties. This concession takes the form of the creditor's waiver of certain contractually defined rights which translates into an immediate or deferred benefit - of a financial or economic nature - for the debtor.

- considers legal and financial connections between counterparties and adopts a group perspective in identifying the exposure of a debtor as impaired (default propagation).

Within this approach, the individual Group companies transpose into their own rules the principles and rules established in Group policies for the management and recovery of troubled exposures and NPEs in line with the specific features of the territory in which they operate, their size, their business model and the related organizational structure.

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.

In order to ensure the quality of the management of non-performing exposures by the specified personnel, all Group companies have developed a system for measuring the performance of senior management and the organizational structures dedicated to management of non-performing exposures. In particular, In accordance with the principle of proportionality, the individual Group companies define their own performance evaluation and monitoring systems in line with Group policy, based on a number of quantitative and qualitative factors, of which the following list provides a few examples:

- 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.

### 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

The classification of exposures into “impaired past due and/or overlimit” exposures, “unlikely-to-pay” exposures or “bad loans” also provides for the identification – for both performing and non-performing portfolios - of “forborne” exposures. These credit exposures are subject to a forbearance measure granted to a customer who is already facing a situation of financial difficulty in meeting their payment commitments (“troubled debt”), or is about to do so, and which would not have been granted if that customer had not found themselves in such a situation. This classification holds regardless of whether the counterparty is past due, overlimit or classified as in default. To identify an exposure as forborne, both of the following conditions must be verified:

- the existence of the financial difficulties that the obligor is facing or is about to face. The assessment of financial difficulty is based on the obligor, which comprises all natural and legal persons belonging to their group (group of connected customers): the assessment therefore also extends to these latter persons in order to verify whether situations of difficulty at the group level may compromise the obligor’s ability to meet their obligations. The assessment of financial difficulty is performed without taking account of the guarantees issued by the obligor or third parties. The Group’s IT applications report the presence or absence of financial difficulty faced by the counterparty with specific disclosures on the company IT systems used in the classification process;

- the exposure is the subject of a forbearance measure (renegotiation of the contractual conditions and/or of a repayment or refinancing plan, etc.) granted with the prime objective of enabling non-performing borrowers to return to performing status or to prevent performing borrowers from entering non-performing status. Forbearance measures should always seek to return the exposure to a situation of sustainable repayment.

The Group defines forbearance measures as:

- contract modifications granted in favor of a debtor solely in consideration of the debtor's financial difficulties and not solely on the basis of commercial grounds/practice;
- the grant of total or partial refinancing to a debtor in financial difficulties in order to enable the debtor to 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;
- contract modifications that can be requested by a debtor under the terms of a contract already agreed in the knowledge that the debtor is experiencing financial difficulties (embedded forbearance clauses).

The attribution of "forborne" to a credit exposure does not represent an additional classification status to those currently provided for in supervisory regulations and the internal rules of the Group to which reference is made for those purposes. Forborne status must be 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.

Forbearance measures cannot be granted to customers with credit exposures classified as bad loans or bank counterparties.

## QUANTITATIVE DISCLOSURES

### A. CREDIT QUALITY

### A.1 - IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR

### A.1.1 - PRUDENTIAL CONSOLIDATION - DISTRIBUTION OF FINANCIAL ASSETS BY TIME PAST DUE (CARRYING AMOUNT)

| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Purchased or originated credit-impaired | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 30 days | From 30 to 90 days | More than 90 days | Up to 30 days | From 30 to 90 days | More than 90 days | Up to 30 days | From 30 to 90 days | More than 90 days | Up to 30 days | From 30 to 90 days | More than 90 days |
| 1. Financial assets measured at amortized cost | 554,129 | 9,443 | 7,080 | 440,497 | 310,929 | 37,104 | 76,599 | 116,201 | 464,509 | - | 28 | 808 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Financial assets held for sale | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **554,129** | **9,443** | **7,080** | **440,497** | **310,929** | **37,104** | **76,599** | **116,201** | **464,509** | **-** | **28** | **808** |
| **Total 31/12/2022** | **596,246** | **14,971** | **10,403** | **321,989** | **256,249** | **34,193** | **81,267** | **124,350** | **722,219** | **10** | **4** | **1,782** |

## A.1.2 - PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: DEVELOPMENTS IN TOTAL WRITEDOWNS AND TOTAL PROVISIONS

| | Total writedowns | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | | | | Stage 2 | | | | | | Stage 3 | | | | | |
| | Demand claims on banks and central banks | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Demand claims on banks and central banks | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Demand claims on banks and central banks | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns |
| **Opening balance** | **699** | **511,946** | **1,941** | **-** | **5,081** | **509,505** | **188** | **585,524** | **8,327** | **677** | **11,613** | **583,099** | **-** | **2,861,685** | **-** | **313,738** | **3,080,606** | **94,819** |
| Increases in financial assets purchased or originated | - | 1,802 | 711 | - | 1 | 2,512 | - | 526 | 757 | - | - | 1,283 | - | - | - | - | - | - |
| Derecognition other than write-offs | - | (5,461) | (668) | - | (3) | (6,126) | - | (7,410) | (2,221) | - | (17) | (9,615) | - | (335,323) | - | (282,263) | (599,063) | (18,524) |
| Net writedowns/writebacks for credit risk | (19) | (143,253) | 370 | - | (9) | (142,892) | 245 | 26,954 | (1,978) | - | (311) | 25,533 | - | 373,295 | - | (29,776) | 318,658 | 24,860 |
| Contractual modifications without derecognition | - | - | - | - | - | - | - | - | - | - | - | - | - | 103 | - | - | 103 | - |
| Change in estimation method | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Writeoffs not recognized directly through profit or loss | - | (58) | - | - | - | (58) | - | - | - | - | - | - | - | (274,352) | - | (831) | (270,535) | (4,648) |
| Other changes | 4 | (733) | 337 | - | (12) | (381) | - | 1,105 | 24 | - | (77) | 1,206 | - | 4,016 | - | (11) | 5,290 | (1,284) |
| **Closing balance** | **684** | **364,244** | **2,692** | **-** | **5,058** | **362,560** | **433** | **606,699** | **4,909** | **677** | **11,208** | **601,506** | **-** | **2,629,424** | **-** | **857** | **2,535,059** | **95,223** |
| Recoveries from collection on written-off financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,018 | - | - | 6,018 | - |
| Writeoffs recognized directly through profit or loss | - | (32) | - | - | - | (32) | - | - | - | - | - | - | - | (9,712) | - | - | (9,061) | (652) |

| | Total writedowns | | | | | Total provisions for commitments to disburse funds and financial guarantees issued | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial assets purchased or originated credit impaired | | | | | | | | | |
| | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Stage 1 | Stage 2 | Stage 3 | Commitments to disburse funds and financial guarantees purchased or originated credit impaired | Total |
| **Opening balance** | **7,868** | **-** | **-** | **7,770** | **98** | **150,247** | **57,062** | **91,000** | **-** | **4,590,902** |
| Increases in financial assets purchased or originated | X | X | X | X | X | - | - | - | - | 3,800 |
| Derecognition other than write-offs | (1,203) | - | - | (1,203) | - | - | - | (259) | - | (634,818) |
| Net writedowns/writebacks for credit risk | 2,855 | - | - | 2,952 | (96) | (7,409) | (7,088) | 28,015 | - | 242,217 |
| Contractual modifications without derecognition | - | - | - | - | - | - | - | - | - | 103 |
| Change in estimation method | - | - | - | - | - | - | - | - | - | - |
| Writeoffs not recognized directly through profit or loss | (18) | - | - | (18) | - | - | - | (3,688) | - | (278,947) |
| Other changes | (1,335) | - | - | (1,335) | - | 2,108 | (1,966) | (62) | - | **3,489** |
| **Closing balance** | **8,167** | **-** | **-** | **8,165** | **2** | **144,946** | **48,008** | **115,006** | **-** | **3,926,746** |
| Recoveries from collection on written-off financial assets | - | - | - | - | - | - | - | - | - | 6,018 |
| Writeoffs recognized directly through profit or loss | - | - | - | - | - | - | - | - | - | (9,744) |

## A.1.3 – PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)

| | Gross exposure/nominal value | | | | | |
|---|---|---|---|---|---|---|
| | Transfers between stage 1 and stage 2 | | Transfers between stage 2 and stage 3 | | Transfers between stage 1 and stage 3 | |
| | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 | From stage 3 to stage 2 | From stage 1 to stage 3 | From stage 3 to stage 1 |
| 1. Financial assets measured at amortized cost | 4,895,313 | 2,509,248 | 574,686 | 262,833 | 543,694 | 42,176 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - |
| 3. Financial assets held for sale | - | - | - | - | - | - |
| 4. Commitments to disburse funds and financial guarantees issued | 914,539 | 623,203 | 25,666 | 11,696 | 71,873 | 8,956 |
| **Total 31/12/2023** | **5,809,852** | **3,132,451** | **600,352** | **274,529** | **615,567** | **51,132** |
| **Total 31/12/2022** | **3,141,466** | **5,237,784** | **573,576** | **363,346** | **534,282** | **97,789** |

The following table reports loans outstanding at the reporting date that were granted within the scope of public guarantee mechanisms established in response to the COVID-19 emergency. The table reports changes in risk staging during the year. The new lending includes, inter alia, financial assets recognized following the grant of forbearance measures that involved a refinancing with derecognition of the original assets and recognition of a new loan, or a restructuring of multiple liabilities with the recognition of a new loan.

## LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS VALUES)

| | Gross exposure | | | | | |
|---|---|---|---|---|---|---|
| | Transfers between stage 1 and stage 2 | | Transfers between stage 2 and stage 3 | | Transfers between stage 1 and stage 3 | |
| | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 | From stage 3 to stage 2 | From stage 1 to stage 3 | From stage 3 to stage 1 |
| Loans measured at amortized cost | 825,321 | 314,784 | 77,612 | 11,329 | 88,082 | 2,897 |
| Loans measured at fair value through other comprehensive income | - | - | - | - | - | - |
| **Total** | **825,321** | **314,784** | **77,612** | **11,329** | **88,082** | **2,897** |

## 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 | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| **A. On-balance-sheet exposures** | | | | | | | | | | | | |
| **A.1 Demand** | **4,223,523** | **4,077,131** | **146,392** | **-** | **-** | **624** | **191** | **432** | **-** | **-** | **4,222,900** | **-** |
| a) Impaired | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 4,223,523 | 4,077,131 | 146,392 | X | - | 624 | 191 | 432 | X | - | 4,222,900 | - |
| **A.2 Other** | **4,709,935** | **4,504,718** | **170,396** | **-** | **-** | **13,176** | **3,749** | **9,428** | **-** | **-** | **4,696,758** | **-** |
| a) Bad loans | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Unlikely to be repaid | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| c) Impaired past due exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| d) Performing past due exposures | 11 | 1 | 10 | X | - | - | - | - | X | - | 11 | - |
| - of which: forborne exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| e) Other performing assets | 4,709,924 | 4,504,717 | 170,387 | X | - | 13,176 | 3,749 | 9,428 | X | - | 4,696,747 | - |
| - of which: forborne exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| **Total (A)** | **8,933,458** | **8,581,849** | **316,789** | **-** | **-** | **13,800** | **3,940** | **9,860** | **-** | **-** | **8,919,658** | **-** |
| **B. Off-balance-sheet exposures** | | | | | | | | | | | | |
| a) Impaired | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 1,664,427 | 547,341 | 36,032 | X | - | 81,463 | 79,486 | 1,976 | X | - | 1,582,964 | - |
| **Total (B)** | **1,664,427** | **547,341** | **36,032** | **-** | **-** | **81,463** | **79,486** | **1,976** | **-** | **-** | **1,582,964** | **-** |
| **Total (A+B)** | **10,597,885** | **9,129,190** | **352,821** | **-** | **-** | **95,263** | **83,427** | **11,836** | **-** | **-** | **10,502,622** | **-** |

**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 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | Net exposure | Total partial writeoffs * |
| **A. On-balance-sheet exposures** | | | | | | | | | | | | |
| a) Bad loans | 1,081,530 | X | - | 1,077,546 | 3,984 | 943,642 | X | - | 940,616 | 3,026 | 137,888 | 467,497 |
| - of which: forborne exposures | 237,583 | X | - | 237,514 | 68 | 203,126 | X | - | 203,078 | 48 | 34,457 | 67,466 |
| b) Unlikely to be repaid | 2,242,214 | X | - | 2,236,652 | 5,562 | 1,561,564 | X | - | 1,556,427 | 5,137 | 680,650 | 19,158 |
| - of which: forborne exposures | 1,078,230 | X | - | 1,073,237 | 4,993 | 758,498 | X | - | 753,907 | 4,590 | 319,733 | 16,978 |
| c) Impaired past due exposures | 326,886 | X | - | 326,886 | - | 132,383 | X | - | 132,383 | - | 194,503 | - |
| - of which: forborne exposures | 35,084 | X | - | 35,084 | - | 12,010 | X | - | 12,010 | - | 23,074 | - |
| d) Performing past due exposures | 1,457,203 | 574,773 | 882,417 | X | - | 98,019 | 4,122 | 93,897 | X | - | 1,359,184 | 64 |
| - of which: forborne exposures | 116,612 | - | 116,612 | X | - | 13,791 | - | 13,791 | X | - | 102,821 | 20 |
| e) Other performing assets | 147,339,994 | 138,006,308 | 8,493,320 | X | 3,237 | 867,353 | 359,066 | 508,284 | X | 2 | 146,472,641 | 332 |
| - of which: forborne exposures | 1,146,539 | 4,952 | 1,140,835 | X | 753 | 83,038 | 91 | 82,945 | X | 2 | 1,063,501 | 212 |
| **Total (A)** | **152,447,827** | **138,581,081** | **9,375,737** | **3,641,083** | **12,783** | **3,602,960** | **363,188** | **602,181** | **2,629,426** | **8,165** | **148,844,867** | **487,052** |
| **B. Off-balance sheet exposures** | | | | | | | | | | | | |
| a) Impaired | 261,987 | X | - | 261,987 | - | 115,006 | X | - | 115,006 | - | 146,981 | - |
| b) Performing | 27,522,397 | 24,360,674 | 2,036,234 | X | - | 111,410 | 65,380 | 46,030 | X | - | 27,410,987 | - |
| **Total (B)** | **27,784,384** | **24,360,674** | **2,036,234** | **261,987** | **-** | **226,416** | **65,380** | **46,030** | **115,006** | **-** | **27,557,968** | **-** |
| **Total (A+B)** | **180,232,211** | **162,941,755** | **11,411,971** | **3,903,070** | **12,783** | **3,829,376** | **428,568** | **648,211** | **2,744,432** | **8,165** | **176,402,834** | **487,052** |

**Value to be reported for information purposes*

With regard to loans outstanding at the reporting date that were granted within the scope of public guarantee mechanisms established in response to the COVID-19 emergency, the following table reports the associated gross exposure and total writedowns (broken down by risk stage and “purchased or originated credit impaired” status) for the different categories of impaired/performing assets. The new lending includes, inter alia, financial assets recognized following the grant of forbearance measures that involved a refinancing with derecognition of the original assets and recognition of a new loan, or a restructuring of multiple liabilities with the recognition of a new loan.

## LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AND NET VALUES

| | Gross exposure | | | | | Total writedowns and total provisions | | | | | Gross exposure | Total writedowns and total provisions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| Bad loans | 16,266 | - | - | 16,266 | - | 13,853 | - | - | 13,853 | - | 2,413 | 2,255 |
| Unlikely to pay | 162,406 | - | - | 162,406 | - | 84,728 | - | - | 84,728 | - | 77,678 | 25 |
| Impaired past due exposures | 36,739 | - | - | 36,739 | - | 12,940 | - | - | 12,940 | - | 23,799 | - |
| Performing past-due exposures | 104,987 | 34,601 | 70,387 | - | - | 2,436 | 84 | 2,352 | - | - | 102,551 | - |
| Other performing assets | 6,742,639 | 5,809,644 | 932,898 | - | - | 34,596 | 11,901 | 22,696 | - | - | 6,708,042 | - |
| **Total** | **7,063,037** | **5,844,245** | **1,003,284** | **215,411** | **-** | **148,554** | **11,985** | **25,048** | **111,521** | **-** | **6,914,483** | **2,280** |

## A.1.6 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS IMPAIRED POSITIONS

| | Bad loans | Unlikely to pay | Impaired past-due |
|---|---|---|---|
| **A. Opening gross exposure** | **-** | **1,294** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - |
| **B. Increases** | **140** | **43** | **-** |
| B.1 from performing exposures | - | - | - |
| B.2 from purchased or originated impaired financial assets | - | - | - |
| B.3 from other categories of impaired exposures | 140 | - | - |
| B.4 contractual modifications without derecognition | - | - | - |
| B.5 other increases | - | 43 | - |
| **C. Decreases** | **140** | **1,337** | **-** |
| C.1 to performing exposures | - | - | - |
| C.2 writeoffs | 140 | 1,197 | - |
| C.3 collections | - | - | - |
| C.4 realization from disposal | - | - | - |
| C.5 losses on disposals | - | - | - |
| C.6 to other categories of impaired exposures | - | 140 | - |
| C.7 contractual modifications without derecognition | - | - | - |
| C.8 other decreases | - | - | - |
| **D. Closing gross exposure** | **-** | **-** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - |

## A.1.6 BIS - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

| | Impaired forborne exposures | Performing forborne exposures |
|---|---|---|
| **A. Opening gross exposure** | **520** | **-** |
| - of which: exposures assigned but not derecognized | - | - |
| **B. Increases** | **28** | **-** |
| B.1 from non-forborne performing exposures | - | - |
| B.2 from forborne performing exposures | - | X |
| B.3 from forborne non-performing exposures | X | - |
| B.4 from non-forborne non-performing exposures | - | - |
| B.5 other increases | 28 | - |
| **C. Decreases** | **548** | **-** |
| C.1 to non-forborne performing exposures | X | - |
| C.2 to forborne performing exposures | - | X |
| C.3 to forborne non-performing exposures | X | - |
| C.4 writeoffs | 548 | - |
| C.5 collections | - | - |
| C.6 realization from disposal | - | - |
| C.7 losses on disposals | - | - |
| C.8 other decreases | - | - |
| **D. Closing gross exposure** | **-** | **-** |
| - of which: exposures assigned but not derecognized | - | - |

## A.1.7 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

| | Bad loans | Unlikely to pay | Impaired past-due |
|---|---|---|---|
| **A. Opening gross exposure** | **1,639,847** | **2,684,871** | **366,461** |
| - of which: exposures assigned but not derecognized | 7,008 | 17,469 | 1,121 |
| **B. Increases** | **520,943** | **1,028,225** | **260,812** |
| B.1 from performing exposures | 128,392 | 800,001 | 245,910 |
| B.2 from purchased or originated impaired financial assets | - | - | - |
| B.3 from other categories of impaired exposures | 342,623 | 124,680 | 2,388 |
| B.4 contractual modifications without derecognition | - | 7 | - |
| B.5 other increases | 49,928 | 103,567 | 12,514 |
| **C. Decreases** | **1,079,260** | **1,470,911** | **30,038** |
| C.1 to performing exposures | 86 | 261,680 | 78,008 |
| C.2 writeoffs | 248,722 | 33,305 | 590 |
| C.3 collections | 302,054 | 341,664 | 50,614 |
| C.4 realization from disposal | 141,863 | 252,013 | 4,395 |
| C.5 losses on disposals | 73,602 | 45,527 | 918 |
| C.6 to other categories of impaired exposures | 1,633 | 305,114 | 162,944 |
| C.7 contractual modifications without derecognition | - | 7 | - |
| C.8 other decreases | 311,300 | 231,602 | 2,918 |
| **D. Closing gross exposure** | **1,081,530** | **2,242,214** | **326,886** |
| - of which: exposures assigned but not derecognized | - | 116 | 90 |

## A.1.7 BIS - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

| | Impaired forborne exposures | Performing forborne exposures |
|---|---|---|
| **A. Opening gross exposure** | **1,857,518** | **2,226,738** |
| - of which: exposures assigned but not derecognized | 29,926 | 17,807 |
| **B. Increases** | **464,040** | **620,459** |
| B.1 from non-forborne performing exposures | 109,773 | 390,134 |
| B.2 from forborne performing exposures | 236,896 | X |
| B.3 from forborne exposures non-performing | X | 191,933 |
| B.4 from non-forborne non-performing exposures | 19,214 | - |
| B.5 other increases | 98,156 | 38,393 |
| **C. Decreases** | **970,661** | **1,584,045** |
| C.1 to non-forborne performing exposures | X | 1,067,114 |
| C.2 to forborne performing exposures | 191,933 | X |
| C.3 to forborne exposures non-performing | X | 236,896 |
| C.4 writeoffs | 64,219 | 165 |
| C.5 collections | 249,513 | 244,761 |
| C.6 realization from disposal | 191,991 | 2,188 |
| C.7 losses on disposals | 25,088 | - |
| C.8 other decreases | 247,917 | 32,920 |
| **D. Closing gross exposure** | **1,350,897** | **1,263,152** |
| - of which: exposures assigned but not derecognized | 8,254 | 8,564 |

## A.1.8 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO BANKS: CHANGE IN TOTAL ADJUSTMENTS

| | Bad loans | | Unlikely to pay | | Impaired past due exposures | |
|---|---|---|---|---|---|---|
| | Total | of which: forborne exposures | Total | of which: forborne exposures | Total | of which: forborne exposures |
| **A. Total opening adjustments** | **-** | **-** | **1,258** | **520** | **-** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - | - | - | - |
| **B. Increases** | **140** | **99** | **78** | **28** | **-** | **-** |
| B.1 writedowns of purchased or originated credit-impaired assets | - | X | - | X | - | X |
| B.2 other writedowns | - | - | - | - | - | - |
| B.3 losses on disposal | - | - | - | - | - | - |
| B.4 from other categories of impaired positions | 140 | 99 | - | - | - | - |
| B.5 contractual modifications without derecognition | - | - | - | - | - | - |
| B.6 other increases | - | - | 78 | 28 | - | - |
| **C. Decreases** | **140** | **99** | **1,337** | **548** | **-** | **-** |
| C.1 writebacks from valuations | - | - | - | - | - | - |
| C.2 writebacks from collections | - | - | - | - | - | - |
| C.3 gains on disposal | - | - | - | - | - | - |
| C.4 writeoffs | 140 | 99 | 1,197 | 449 | - | - |
| C.5 to other categories of impaired positions | - | - | 140 | 99 | - | - |
| C.6 contractual modifications without derecognition | - | - | - | - | - | - |
| C.7 other decreases | - | - | - | - | - | - |
| **D. Total closing adjustments** | **-** | **-** | **-** | **-** | **-** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - | - | - | - |

## A.1.9 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO CUSTOMERS: CHANGE IN TOTAL ADJUSTMENTS

| | Bad loans | | Unlikely to pay | | Impaired past due exposures | |
|---|---|---|---|---|---|---|
| | Total | of which: forborne exposures | Total | of which: forborne exposures | Total | of which: forborne exposures |
| **A. Total opening adjustments** | **1,348,884** | **283,625** | **1,728,546** | **931,239** | **104,360** | **13,029** |
| - of which: exposures assigned but not derecognized | 5,053 | 392 | 6,514 | 1,472 | 219 | 68 |
| **B. Increases** | **492,626** | **125,141** | **770,173** | **308,934** | **116,372** | **12,610** |
| B.1 writedowns of purchased or originated credit-impaired assets | 762 | X | 346 | X | - | X |
| B.2 other writedowns | 247,759 | 49,549 | 718,689 | 275,745 | 113,059 | 11,172 |
| B.3 losses on disposal | 9,339 | 3,490 | 10,069 | 4,231 | 918 | 218 |
| B.4 from other categories of impaired positions | 200,152 | 57,862 | 37,330 | 6,322 | 1,922 | 1,166 |
| B.5 contractual modifications without derecognition | - | - | - | - | - | - |
| B.6 other increases | 34,614 | 14,240 | 3,739 | 22,637 | 473 | 54 |
| **C. Decreases** | **897,868** | **205,640** | **937,154** | **481,676** | **88,349** | **13,629** |
| C.1 writebacks from valuations | 77,070 | 15,340 | 113,665 | 67,485 | 7,768 | 666 |
| C.2 writebacks from collections | 188,955 | 36,540 | 146,044 | 54,479 | 9,079 | 611 |
| C.3 gains on disposal | 40,673 | 10,360 | 78,584 | 43,217 | 880 | 440 |
| C.4 writeoffs | 248,722 | 50,878 | 33,305 | 13,341 | 590 | - |
| C.5 to other categories of impaired positions | 1,139 | 291 | 190,226 | 58,377 | 48,038 | 6,683 |
| C.6 contractual modifications without derecognition | - | - | - | - | - | - |
| C.7 other decreases | 341,309 | 92,231 | 368,698 | 244,777 | 21,994 | 5,229 |
| **D. Total closing adjustments** | **943,642** | **203,126** | **1,561,564** | **758,498** | **132,383** | **12,010** |
| - of which: exposures assigned but not derecognized | - | - | 22 | - | - | - |

## A.2 - CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

### A.2.1 - PRUDENTIAL CONSOLIDATION - DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES (GROSS VALUES)

| | External rating grades | | | | | | Not rated | Total |
|---|---|---|---|---|---|---|---|---|
| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | | |
| **A. Financial assets measured at amortized cost** | **1,202,583** | **214,057** | **54,964,000** | **513,136** | **520,520** | **1,706** | **91,673,133** | **149,089,135** |
| - Stage 1 | 1,188,733 | 159,915 | 54,144,555 | 438,360 | 479,832 | 1,557 | 79,562,538 | 135,975,490 |
| - Stage 2 | 13,850 | 54,142 | 811,042 | 74,775 | 40,688 | 149 | 8,468,297 | 9,462,943 |
| - Stage 3 | - | - | 8,403 | - | - | - | 3,635,754 | 3,644,158 |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | 6,545 | 6,545 |
| **B. Financial assets measured at fair value through other comprehensive income** | **442,796** | **58,306** | **6,507,296** | **104,518** | **5,690** | **-** | **78,056** | **7,196,662** |
| - Stage 1 | 436,949 | 58,306 | 6,490,337 | 66,455 | 44 | - | 57,814 | 7,109,904 |
| - Stage 2 | 5,847 | - | 16,959 | 38,056 | 5,646 | - | 20,232 | 86,740 |
| - Stage 3 | - | - | - | 7 | - | - | 10 | 18 |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **C. Financial assets held for sale** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | - | - | - | - |
| - Stage 3 | - | - | - | - | - | - | - | - |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **Total (A+B+C)** | **1,645,379** | **272,363** | **61,471,296** | **617,654** | **526,210** | **1,706** | **91,751,189** | **156,285,797** |
| **D. Commitments to disburse funds and financial guarantees issued** | **63,343** | **25,906** | **1,410,030** | **13,069** | **1,041** | **1,493** | **25,741,747** | **27,256,629** |
| - Stage 1 | 7,709 | 22,357 | 1,284,726 | 9,744 | 445 | 1,493 | 23,594,658 | 24,921,133 |
| - Stage 2 | 55,634 | 3,549 | 125,304 | 3,325 | 596 | - | 1,885,102 | 2,073,509 |
| - Stage 3 | - | - | - | - | - | - | 261,987 | 261,987 |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **Total (D)** | **63,343** | **25,906** | **1,410,030** | **13,069** | **1,041** | **1,493** | **25,741,747** | **27,256,629** |
| **Total (A+B+C+D)** | **1,708,722** | **298,269** | **62,881,326** | **630,723** | **527,252** | **3,199** | **117,492,936** | **183,542,426** |

## A.2.2 - PRUDENTIAL CONSOLIDATION - DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY INTERNAL RATING GRADES (GROSS VALUES)

| | Internal rating grades | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | Class 7 | Class 8 |
| **A. Financial assets measured at amortized cost** | **4,541,173** | **14,441,655** | **21,229,814** | **14,953,962** | **9,761,020** | **6,119,025** | **3,802,537** | **2,156,152** |
| - Stage 1 | 4,510,146 | 14,290,938 | 20,716,899 | 14,212,562 | 9,132,517 | 5,074,788 | 2,679,408 | 1,131,874 |
| - Stage 2 | 31,027 | 150,716 | 512,915 | 741,041 | 626,713 | 1,037,059 | 1,120,898 | 1,024,230 |
| - Stage 3 | - | - | - | 359 | 1,705 | 7,179 | 2,231 | 49 |
| - Purchased or originated credit-impaired assets | - | - | - | - | 85 | - | - | - |
| **B. Financial assets measured at fair value through other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | - | - | - | - |
| - Stage 3 | - | - | - | - | - | - | - | - |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **C. Financial assets held for sale** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | - | - | - | - |
| - Stage 3 | - | - | - | - | - | - | - | - |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **Total (A+B+C)** | **4,541,173** | **14,441,655** | **21,229,814** | **14,953,962** | **9,761,020** | **6,119,025** | **3,802,537** | **2,156,152** |
| **D. Commitments to disburse funds and financial guarantees issued** | **3,788,024** | **4,724,082** | **4,741,001** | **3,606,586** | **758,690** | **1,795,142** | **910,233** | **411,077** |
| - Stage 1 | 3,764,040 | 4,632,416 | 4,549,830 | 3,366,421 | 721,314 | 1,569,555 | 715,872 | 308,198 |
| - Stage 2 | 23,984 | 91,666 | 191,170 | 240,165 | 37,376 | 225,178 | 194,361 | 102,879 |
| - Stage 3 | - | - | 1 | - | - | 408 | - | - |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **Total (D)** | **3,788,024** | **4,724,082** | **4,741,001** | **3,606,586** | **758,690** | **1,795,142** | **910,233** | **411,077** |
| **Total (A+B+C+D)** | **8,329,197** | **19,165,737** | **25,970,815** | **18,560,548** | **10,519,709** | **7,914,167** | **4,712,770** | **2,567,230** |

| | Internal rating grades | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Class 9 | Class 10 | Class 11 | Class 12 | Class 13 | Class 14 | Not rated | (A+B+C+D) |
| **A. Financial assets measured at amortized cost** | **1,222,053** | **797,550** | **373,295** | **233,284** | **-** | **-** | **69,457,615** | **149,089,135** |
| - Stage 1 | 322,048 | 72,680 | 5,660 | 4,631 | - | - | 63,821,340 | 135,975,490 |
| - Stage 2 | 900,005 | 724,763 | 367,546 | 227,478 | - | - | 1,998,553 | 9,462,943 |
| - Stage 3 | - | 107 | 90 | 1,176 | - | - | 3,631,262 | 3,644,158 |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | 6,460 | 6,545 |
| **B. Financial assets measured at fair value through other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **7,196,662** | **7,196,662** |
| - Stage 1 | - | - | - | - | - | - | 7,109,904 | 7,109,904 |
| - Stage 2 | - | - | - | - | - | - | 86,740 | 86,740 |
| - Stage 3 | - | - | - | - | - | - | 18 | 18 |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **C. Financial assets held for sale** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | - | - | - | - |
| - Stage 3 | - | - | - | - | - | - | - | - |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **Total (A+B+C)** | **1,222,053** | **797,550** | **373,295** | **233,284** | **-** | **-** | **76,654,277** | **156,285,797** |
| **D. Commitments to disburse funds and financial guarantees issued** | **215,259** | **94,346** | **28,761** | **21,144** | **-** | **-** | **6,162,283** | **27,256,629** |
| - Stage 1 | 140,418 | 31,361 | 4,855 | 756 | - | - | 5,116,097 | 24,921,133 |
| - Stage 2 | 74,841 | 62,892 | 23,907 | 20,389 | - | - | 784,700 | 2,073,509 |
| - Stage 3 | - | 92 | - | - | - | - | 261,486 | 261,987 |
| - Purchased or originated credit-impaired assets | - | - | - | - | - | - | - | - |
| **Total (D)** | **215,259** | **94,346** | **28,761** | **21,144** | **-** | **-** | **6,162,283** | **27,256,629** |
| **Total (A+B+C+D)** | **1,437,313** | **891,896** | **402,056** | **254,428** | **-** | **-** | **82,816,560** | **183,542,426** |

## A.3 - DISTRIBUTION OF SECURED CREDIT EXPOSURES BY TYPE OF GUARANTEE

### A.3.1 - PRUDENTIAL CONSOLIDATION – ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO BANKS

| | | | Collateral (1) | | | | Unsecured guarantees (2) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | | | | | | Guarantees | | | |
| | | | | | | | | Other derivatives | | | | | | | | |
| | Gross exposure | Net exposure | Properties - Mortgages | Properties - Finance leases | Securities | Other collateral | CLN | Central counterparties | Banks | Other financial companies | Other | Government entities | Banks | Other financial companies | Other | Total (1)+(2) |
| **1. Secured on-balance-sheet credit exposures:** | **46,627** | **41,736** | **-** | **-** | **34,134** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **277** | **-** | **7,176** | **41,586** |
| 1.1 fully secured | 46,306 | 41,518 | - | - | 34,134 | - | - | - | - | - | - | - | 277 | - | 7,107 | 41,518 |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 partially secured | 321 | 218 | - | - | - | - | - | - | - | - | - | - | - | - | 69 | 69 |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **2. Secured off-balance-sheet credit exposures:** | **3,352** | **3,322** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **3,322** | **3,322** |
| 2.1 fully secured | 3,352 | 3,322 | - | - | - | - | - | - | - | - | - | - | - | - | 3,322 | 3,322 |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 partially secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## A.3.2 - PRUDENTIAL CONSOLIDATION – ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO CUSTOMERS

| | | | Collateral (1) | | | | Unsecured guarantees (2) | | | | | | | | | Total (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | | | | | Guarantees | | | | |
| | | | | | | | | Other derivatives | | | | | | | | |
| | Gross exposure | Net exposure | Properties - Mortgages | Properties - Finance leases | Securities | Other collateral | CLN | Central counterparties | Banks | Other financial companies | Other | Government entities | Banks | Other financial companies | Other | 0 |
| **1. Secured on-balance-sheet credit exposures:** | **81,564,361** | **78,503,668** | **48,717,474** | **1,987,930** | **1,321,263** | **2,253,619** | **103,221** | **-** | **-** | **-** | **-** | **14,305,480** | **99,711** | **394,465** | **7,675,968** | **76,859,132** |
| 1.1 fully secured | 73,149,507 | 70,398,265 | 48,225,962 | 1,948,429 | 1,237,083 | 2,068,552 | 103,221 | - | - | - | - | 8,971,775 | 58,964 | 295,639 | 7,409,864 | 70,319,488 |
| - of which: impaired | 2,885,857 | 844,324 | 569,213 | 52,962 | 2,173 | 11,542 | 175 | - | - | - | - | 154,624 | 679 | 7,144 | 45,463 | 843,976 |
| 1.2 partially secured | 8,414,854 | 8,105,403 | 491,512 | 39,501 | 84,180 | 185,068 | - | - | - | - | - | 5,333,705 | 40,747 | 98,826 | 266,104 | 6,539,644 |
| - of which: impaired | 353,877 | 99,114 | 20,011 | - | 540 | 1,349 | - | - | - | - | - | 66,298 | 1,736 | 2,392 | 4,024 | 96,348 |
| **2. Secured off-balance-sheet credit exposures:** | **10,580,408** | **10,488,640** | **5,925** | **-** | **1,071,318** | **295,709** | **-** | **-** | **-** | **-** | **38** | **833,607** | **155,834** | **57,396** | **7,381,409** | **9,801,236** |
| 2.1 fully secured | 5,573,095 | 5,528,145 | 5,336 | - | 1,054,787 | 243,550 | - | - | - | - | 38 | 285,686 | 3,411 | 28,690 | 3,897,477 | 5,518,976 |
| - of which: impaired | 36,225 | 12,837 | 204 | - | 64 | 1,633 | - | - | - | - | - | 1,161 | 325 | 282 | 9,164 | 12,832 |
| 2.2 partially secured | 5,007,314 | 4,960,495 | 589 | - | 16,531 | 52,158 | - | - | - | - | - | 547,921 | 152,423 | 28,706 | 3,483,932 | 4,282,260 |
| - of which: impaired | 66,840 | 50,425 | 1 | - | 39 | 836 | - | - | - | - | - | 6,273 | - | 1,130 | 41,352 | 49,630 |

## A.4 - PRUDENTIAL CONSOLIDATION - FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH ENFORCEMENT OF GUARANTEES RECEIVED

| | Derecognized credit exposure | Gross value | Total writedowns | Carrying amount | |
|---|---|---|---|---|---|
| | | | | | Of which obtained during the year |
| **A. Property, plant and equipment** | **84,620** | **87,950** | **24,673** | **63,277** | **2,513** |
| A.1. Used in operations | 452 | 1,286 | 107 | 1,180 | - |
| A.2. Investment property | 41,116 | 44,600 | 12,364 | 32,236 | 824 |
| A.3. Inventories | 43,052 | 42,064 | 12,202 | 29,862 | 1,689 |
| **B. Equity and debt securities** | **-** | **-** | **-** | **-** | **-** |
| **C. Other assets** | **-** | **-** | **-** | **-** | **-** |
| **D. Non-current assets and disposal groups held for sale** | **5,614** | **7,839** | **800** | **7,039** | **7** |
| D.1. Property, plant and equipment | 5,614 | 7,839 | 800 | 7,039 | 7 |
| D.2. Other assets | - | - | - | - | - |
| **Total 31/12/2023** | **90,234** | **95,789** | **25,473** | **70,316** | **2,520** |
| **Total 31/12/2022** | **93,900** | **105,072** | **22,946** | **82,126** | **3,877** |

## B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

### B.1 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR

| | Government entities | | Financial companies | | Financial companies(of which: insurance undertakings) | |
|---|---|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance sheet** | | | | | | |
| A.1 Bad loans | 17 | - | 279 | 2,483 | - | - |
| - of which: forborne exposures | - | - | - | 805 | - | - |
| A.2 Unlikely to pay | 697 | 669 | 2,893 | 10,305 | - | - |
| - of which: forborne exposures | - | - | 1,552 | 3,872 | - | - |
| A.3 Impaired past due exposures | 71 | 87 | 1,491 | 564 | - | - |
| - of which: forborne exposures | - | - | 417 | 175 | - | - |
| A.4 Performing exposures | 56,455,163 | 12,933 | 5,561,475 | 101,471 | 163,569 | - |
| - of which: forborne exposures | 8,838 | | 6,719 | 492 | - | - |
| **Total (A)** | **56,455,948** | **13,689** | **5,566,138** | **114,823** | **163,569** | **-** |
| **B. Off-balance sheet** | | | | | | |
| B.1 Impaired exposures | 770 | 20 | 764 | 438 | - | - |
| B.2 Performing exposures | 1,112,451 | 940 | 1,874,843 | 4,892 | - | - |
| **Total (B)** | **1,113,220** | **960** | **1,875,608** | **5,330** | **-** | **-** |
| **Total (A+B) 31/12/2023** | **57,569,168** | **14,650** | **7,441,746** | **120,153** | **163,569** | **-** |
| **Total (A+B) 31/12/2022** | **64,231,009** | **20,058** | **7,305,903** | **111,764** | **151,435** | **-** |

| | Non-financial companies | | Households | |
|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance sheet** | | | | |
| A.1 Bad loans | 94,875 | 646,044 | 42,717 | 295,115 |
| - of which: forborne exposures | 22,305 | 132,857 | 12,151 | 69,464 |
| A.2 Unlikely to pay | 395,951 | 1,030,726 | 281,110 | 519,865 |
| - of which: forborne exposures | 180,424 | 512,379 | 137,756 | 242,247 |
| A.3 Impaired past due exposures | 73,986 | 47,440 | 118,955 | 84,291 |
| - of which: forborne exposures | 9,691 | 6,607 | 12,966 | 5,228 |
| A.4 Performing exposures | 41,705,546 | 531,041 | 44,109,641 | 319,925 |
| - of which: forborne exposures | 667,315 | 66,079 | 483,449 | 30,003 |
| **Total (A)** | **42,270,359** | **2,255,252** | **44,552,423** | **1,219,196** |
| **B. Off-balance sheet** | | | | |
| B.1 Impaired exposures | 131,227 | 105,339 | 14,226 | 9,202 |
| B.2 Performing exposures | 20,091,687 | 79,254 | 3,234,870 | 26,330 |
| **Total (B)** | **20,222,914** | **184,593** | **3,249,096** | **35,532** |
| **Total (A+B) 31/12/2023** | **62,493,272** | **2,439,845** | **47,801,519** | **1,254,728** |
| **Total (A+B) 31/12/2022** | **62,020,918** | **2,898,675** | **47,664,518** | **1,463,733** |

## B.2 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

| | | Italy | | Other European countries | | America | |
|---|---|---|---|---|---|---|---|
| | | Net exposure | Total writedowns | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | | | | |
| A.1 Bad loans | | 137,834 | 941,218 | 26 | 2,228 | 28 | 196 |
| A.2 Unlikely to pay | | 680,181 | 1,557,725 | 346 | 1,161 | 30 | 272 |
| A.3 Impaired past due exposures | | 192,096 | 132,223 | 439 | 89 | 74 | 68 |
| A.4 Performing exposures | | 144,883,178 | 956,337 | 2,576,765 | 7,598 | 159,622 | 1,121 |
| | **Total A** | **145,893,289** | **3,587,504** | **2,577,576** | **11,076** | **159,754** | **1,657** |
| **B. Off-balance-sheet** | | | | | | | |
| B.1 Impaired exposures | | 144,569 | 114,998 | - | - | 7 | 1 |
| B.2 Performing exposures | | 26,223,123 | 108,861 | 80,293 | 2,361 | 2,487 | 5 |
| | **Total (B)** | **26,367,691** | **223,859** | **80,293** | **2,361** | **2,494** | **6** |
| **Total (A+B)** | **31/12/2023** | **172,260,980** | **3,811,363** | **2,657,869** | **13,437** | **162,248** | **1,663** |
| **Total (A+B)** | **31/12/2022** | **179,687,125** | **4,475,030** | **1,315,861** | **13,947** | **138,632** | **1,802** |

| | | Asia | | Rest of the world | |
|---|---|---|---|---|---|
| | | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | | |
| A.1 Bad loans | | - | - | - | - |
| A.2 Unlikely to pay | | 83 | 2,394 | 11 | 12 |
| A.3 Impaired past due exposures | | - | 2 | 1,894 | - |
| A.4 Performing exposures | | 17,480 | 96 | 194,779 | 219 |
| | **Total A** | **17,564** | **2,492** | **196,684** | **231** |
| **B. Off-balance-sheet** | | | | | |
| B.1 Impaired exposures | | 2,410 | - | 1 | - |
| B.2 Performing exposures | | 2,295 | 3 | 5,653 | 187 |
| | **Total (B)** | **4,705** | **3** | **5,654** | **187** |
| **Total (A+B)** | **31/12/2023** | **22,269** | **2,495** | **202,338** | **418** |
| **Total (A+B)** | **31/12/2022** | **15,677** | **2,461** | **65,053** | **991** |

## B.3 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

| | Italy | | Other European countries | | America | |
|---|---|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | | | |
| A.1 Bad loans | - | - | - | - | - | - |
| A.2 Unlikely to pay | - | - | - | - | - | - |
| A.3 Impaired past due exposures | - | - | - | - | - | - |
| A.4 Performing exposures | 8,520,818 | 7,116 | 256,728 | 359 | 27,888 | 6,294 |
| | **8,520,818** | **7,116** | **256,728** | **359** | **27,888** | **6,294** |
| **B. Off-balance-sheet** | | | | | | |
| B.1 Impaired exposures | - | - | - | - | - | - |
| B.2 Performing exposures | 1,368,278 | 81,369 | 185,780 | 52 | 119 | 34 |
| **Total (B)** | **1,368,278** | **81,369** | **185,780** | **52** | **119** | **34** |
| **Total (A+B) 31/12/2023** | **9,889,096** | **88,485** | **442,508** | **412** | **28,008** | **6,328** |
| **Total (A+B) 31/12/2022** | **5,329,076** | **92,560** | **617,965** | **249** | **58,724** | **1,283** |

| | Asia | | Rest of the world | |
|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | |
| A.1 Bad loans | - | - | - | - |
| A.2 Unlikely to pay | - | - | - | - |
| A.3 Impaired past due exposures | - | - | - | - |
| A.4 Performing exposures | 2,870 | 1 | 111,354 | 30 |
| | **2,870** | **1** | **111,354** | **30** |
| **B. Off-balance-sheet** | | | | |
| B.1 Impaired exposures | - | - | - | - |
| B.2 Performing exposures | 5,872 | 1 | 592 | 7 |
| **Total (B)** | **5,872** | **1** | **592** | **7** |
| **Total (A+B) 31/12/2023** | **8,742** | **2** | **111,946** | **37** |
| **Total (A+B) 31/12/2022** | **8,678** | **2** | **64,932** | **1,285** |

### B.4 LARGE EXPOSURES

The rules governing the concentration of exposures define a large exposure as one to a customer or group of connected customers that (regardless of the weighted position) is equal to or greater than 10% of the eligible capital of the reporting entity. In addition, at the consolidated level, reporting entities must report:

- the ten largest exposures to exposures to government agencies and the ten largest exposures to unregulated entities operating in the financial sector;
- exposures equal to or greater than €300 million but less than 10% of the entity's Tier 1 capital.

The following reports exposures associated with individual positions or groups of connected customers included in the report of large exposures.

The following represents the situation at December 31, 2023:

- value of exposure: €130,029 million;
- weighted value: €4,029 million;
- number of positions: 34.

## C. SECURITIZATIONS

### QUALITATIVE DISCLOSURES

In accordance with the definitions provided for in prudential regulations, the Group operates in the securitization market as both an originator, through the assignment of loans to special purpose vehicles (SPVs) for the issue of notes in its own securitizations, and an investor, subscribing the notes issued by third parties in their securitizations.

Own securitizations can be broken down as follows:

- securitization transactions whose notes are placed in whole or in part on the market and originated in order to generate economic benefits from the optimization of the loan portfolio, the diversification of funding sources, the reduction of their cost and the alignment the natural maturities of assets with those of liabilities (securitizations in the strict sense);
- securitization transactions whose notes are retained entirely by the originator and are intended to diversify and leverage available funding tools, through the transformation of the assigned loans into refinanceable securities (self-securitizations). Self-securitization transactions are part of the more general policy of strengthening the Group's liquidity position and do not form part of securitizations in the strict sense since they do not transfer risks outside the Group. For this reason, qualitative information and numerical data on these operations are not included in this section, in accordance with the Bank of Italy instructions contained in Circular 262/2005.

### OWN SECURITIZATIONS

The following provides disclosures on own securitizations carried out by the Group and still outstanding at the reporting date, distinguishing between operations carried out during the year and those carried out in previous years.

#### OWN SECURITIZATIONS CARRIED OUT DURING THE YEAR

No securitizations were carried out during the year.

#### OWN SECURITIZATIONS CARRIED OUT IN PREVIOUS YEARS

#### "GACS I" SECURITIZATION

In June 2018, the Group undertook the first securitization involving non-performing loans that qualified for the State guarantee mechanism for the liabilities issued (the so-called "GACS" mechanism) pursuant to Decree Law 18 of February 14, 2016, with a view to reducing Bank's the stock of bad loans and, consequently, improve the company risk profile.

The transaction saw Iccrea Banca participate as promoter and joint arranger (together with JP Morgan Securities Limited) and 23 other banks (including 21 mutual banks, BCC Leasing and Banca Sviluppo) as assignors of the same number of portfolios of non-performing unsecured and mortgage loans, mainly secured by first mortgages, with a total carrying amount of €1,046 billion.

The exposures were assigned to a special purpose securitization vehicle denominated "BCC NPLs 2018 Srl", with the simultaneous grant of a servicing contract by the latter to a third-party servicer independent of the assignors.

As part of the transaction, the special purpose vehicle acquired the portfolio from the assignor banks, financing the purchase by issuing (on July 10, 2018) asset-backed securities not listed on any regulated market with a total nominal value of about €323.86 million, divided into the following classes:

- €282 million of senior notes, corresponding to 26.95% of the value of the assigned loans, which have been assigned an investment grade rating of Baa3 by Moody's and BBB- by Scope Rating, subscribed by the assignors in proportion to the exposures assigned;
- €31.4 million of mezzanine notes, corresponding to 3% of the value of the assigned loans, which have been assigned a rating of Caa2 by Moody's and B+ by Scope Rating, which were sold, together with the junior

notes and with the exception of highlighted below, to qualified investors without any connection, interest or participation with the assignors;

- €10.46 million of junior notes, corresponding to 1% of the value of the assigned loans, not rated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the "vertical slice" approach): in this regard, on July 10, 2018 the assignor banks sold approximately 95% of the mezzanine and junior noes to Good Hill Partners, which subscribed:

- 94.96% of the principal amount of the mezzanine notes at the issue date, equal to €29.8 million at a price equal to 33.063% of the relative principal amount, i.e. €9.8 million; and
- 95% of the principal amount of the junior notes at the issue date, equal to €9.9 million at a price equal to 1.006% of the relative principal amount, i.e. €99.9 thousand.

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 282.0 | 170.5 |
| Class B | 1.5 | 1 |
| Class C | 0.5 | - |
| Limited-recourse loan | 10.5 | 7.5 |

As noted previously, the securitization was structured to possess the characteristics envisaged by the regulations mentioned earlier so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated September 7, 2018.

## "GACS II" SECURITIZATION

In December 2018, the Group undertook the second securitization involving non-performing loans that qualified for the State guarantee mechanism for the liabilities issued (the so-called "GACS" mechanism) pursuant to Decree Law 18 of February 14, 2016, with a view to reducing Bank's the stock of bad loans and, consequently, ensure that the company's exposure to risk was contained within sustainable limits.

The transaction involved multiple portfolios of unsecured and mortgage loans to debtors classified as defaulted, with an average expected life of 5 years and an estimated maturity of July 2032 (on the basis of the business plan prepared by Italfondiario SpA). As part of the operation, on December 27, 2018 the assignor banks submitted a preliminary application to the Ministry for the Economy and Finance (MEF) for admission to the State guarantee mechanism for the liabilities issued (the so-called "GACS" mechanism) pursuant to Decree Law 18 of February 14, 2016.

The assigned portfolio consists of loans classified as bad loans at the assignment date (December 7, 2018), originated by 73 banks (71 mutual banks, Banca Sviluppo and BCC Leasing), with a total value of over €2 billion in terms of gross carrying amount, with the establishment of a securitization involving:

- the issue of notes by the SPV with the simultaneous subscription of the senior notes and approximately 5% of the mezzanine and junior notes by the assignors and the subscription of about 95% of the mezzanine and junior notes by an institutional investor independent of the assignors and Iccrea Banca, JP Morgan Securities Plc, with the simultaneous payment of the purchase price. The senior notes were assigned an external rating on December 20, 2018 by two rating agencies;
- the derecognition of the assigned loans on December 20, 2018. The assignment of the non-performing loans produced financial effects as from March 31, 2018. Collections between April 1, 2018, inclusive, and the assignment date of the portfolio, inclusive (December 7, 2018) were transferred to the SPV.

More specifically, a securitization vehicle specifically set up pursuant to Law 130 of April 30, 1999 denominated "BCC NPLs 2018-2 Srl" purchased the portfolio from the banks on December 7, 2018 financing its purchase by issuing asset-backed securities not listed on any regulated market with a total nominal value of about €558.17 million, as indicated below:

- €478 million of senior Class A Asset Backed Floating Rate Notes due July 2042, granted an investment grade rating of BBB (low) by DBRS Ratings Limited and BBB by Scope Rating, subscribed by the assignors in proportion to the exposures assigned;
- €60.13 million of mezzanine Class B Asset Backed Floating Rate Notes due July 2042, with a CCC rating by DBRS Ratings Limited and B + by Scope Rating;
- €20.04 million of junior Class J Asset Backed Floating Rate and Variable Return Notes securities, unrated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the “vertical slice” approach).

In this regard, on December 20, 2018 the mezzanine and junior tranches were sold to J.P. Morgan Securities Plc, which subscribed:

- 94.52% of the principal amount of the mezzanine notes at the issue date, equal to €56.8 million at a price equal to 11.309% of the relative principal amount (corresponding to a subscription price of €6.4 million); and
- 94.58% of the principal amount of the junior notes at the issue date, equal to €18.9 million at a price equal to 0.998% of the relative principal amount (corresponding to a subscription price of €189 thousand).

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 478.0 | 313.0 |
| Class B | 3.3 | 0.2 |
| Class C | 1.0 | - |
| Limited-recourse loan | 13.3 | 8.7 |

As noted previously, the securitization was structured to possess the characteristics so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated March 5, 2019.

## “GACS III” SECURITIZATION

In December 2019, a securitization was completed (the third of its kind for the Group) involving multiple portfolios of receivables in respect of mortgage loans or unsecured loans to debtors classified as defaulted. As part of the operation, on January 10, 2020, the assignor banks submitted to the Ministry for the Economy and Finance (MEF) a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called “GACS” – Guarantee of Securitization of Bad loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018.

The transaction was carried out with the aim of reducing the stock of bad loans, partly in response to the need to achieve the objectives set by the ECB for the Mutual Banking Group, thereby decreasing their impact on total assets and, consequently, improving the company risk profile. The securitization mechanism and the State guarantee on the senior class of notes made it possible to obtain a higher sale value than in an ordinary market operation and contained the impacts of the disposal.

More specifically, the transaction involved the disposal of a portfolio of loans identified “en bloc” classified as bad loans at the date of sale, originated by Iccrea Banca, BCC Leasing, Banca Sviluppo and 65 mutual banks belonging to the Group with total value of over €1.3 billion in terms of gross carrying amount, through a securitization carried out in the following phases:

- the assignment without recourse, on December 2, 2019, of the portfolio to the securitization vehicle BCC NPLS 2019 (hereinafter the “SPV”) established pursuant to Law 130 of April 30, 1999 as amended;
- the payment of the consideration for the assignment by the SPV, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €421.2 million, divided into the classes indicated below:
    - €355 million of senior Class A Asset Backed Floating Rate Notes, maturing in January 2044, rated Baa2, BBB + and BBB respectively by Moody’s Investor Services, Scope Rating AG and DBRS Ratings Limited;

- €53 million of mezzanine Class B Asset Backed Floating Rate Notes, maturing in January 2044, rated B3, B- and CCC respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
- €13.2 million of junior Class J Asset Backed Floating Rate and Variable Return Notes, maturing in January 2044 and not rated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors and the Parent Company, Iccrea Banca, with the simultaneous payment of the purchase price.

The non-performing loans were derecognized by each of the assignors following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC, which took place on December 19, 2019 for both tranches. More specifically, Bracebridge Capital LLC subscribed (i) 94.57% of the principal of the mezzanine notes, equal on the issue date to €50.1 million at a price equal to 51.26% of the principal amount and (ii) 94.57% of the principal of the junior notes, equal on the issue date to €12.5 million at a price equal to 0.008% of the principal amount.

The following table summarizes the amount and annual rates of the notes issued.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 355.0 | 244.7 |
| Class B | 2.9 | 2.0 |
| Class C | 0.1 | - |
| Limited-recourse loan | 10.0 | 7.7 |

As noted previously, the securitization was structured to possess the characteristics envisaged by the regulations mentioned earlier so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated March 25, 2020.

## "GACS IV" SECURITIZATION

In November 2020 a securitization was completed (the fourth of its kind for the Group) involving multiple portfolios of receivables in respect of mortgage loans or unsecured loans to debtors classified as defaulted. As part of the operation, on December 22, 2020, the assignor banks submitted to the Ministry for the Economy and Finance (MEF) a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitizations of Bad Loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018 and subsequently amended by Law 41 of May 20, 2019 ratifying Decree Law 22 of March 25, 2019 with amendments.

The transaction was carried out with the aim of reducing the stock of bad loans, thereby decreasing their impact on total assets and, consequently, improving the company risk profile. The securitization mechanism and the State guarantee on the senior class of notes made it possible to obtain a higher sale value than in an ordinary market operation and contained the impacts of the disposal.

More specifically, the transaction involved the disposal of a portfolio of loans identified "en bloc" classified as bad loans at the date of sale, originated by Iccrea Banca, Banca Sviluppo, BCC Leasing, BCC Financing, and 84 mutual banks belonging to the Group as well as 2 banks not belonging to the ICBG (Banca Ifis and Banca Popolare Valconca) with total value of over €2.3 billion in terms of gross carrying amount, through a securitization carried out in the following phases:

- the assignment without recourse, on November 18, 2020, of the portfolio to the securitization vehicle BCC NPLS 2020 (hereinafter the "SPV") established pursuant to Law 130 of April 30, 1999 as amended;
- the payment of the consideration for the assignment by the SPV, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €585 million, divided into the classes indicated below:

- €520 million of Senior Notes, maturing in January 2045, rated Baa2 and BBB respectively by Moody's Italia Srl and Scope Rating AG;
- €41 million of Mezzanine Notes, maturing in January 2045, rated Caa2 and CC respectively by Moody's Italia Srl and Scope Rating AG;
- €24 million of Junior Notes, maturing in January 2045, and not rated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors on November 30.

The non-performing loans were derecognized by each of the assignors following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC, which took place on November 30, 2020 for both tranches. More specifically, Bracebridge Capital LLC subscribed (i) 94,40% of the principal of the mezzanine notes, equal on the issue date to €38.7 million at a price equal to 44.51% of the principal amount and (ii) 94.40% of the principal of the junior notes, equal on the issue date to over €22.6 million at a price equal to 0.042% of the principal amount.

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 460.5 | 314.9 |
| Class B | 2.0 | 1.0 |
| Class C | 1.2 | 1.2 |
| Limited-recourse loan | 13.8 | 10.2 |

As noted previously, the securitization was structured to possess the characteristics so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated April 21, 2021.

## "GACS V" SECURITIZATION

In November 2021 a multi-originator securitization was completed (the fifth of its kind for the Group) with the presentation to the Ministry for the Economy and Finance (MEF) of a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitizations of Bad Loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018 and subsequently amended by Law 41 of May 20, 2019 ratifying Decree Law 22 of March 25, 2019 with amendments and the extension decree of the MEF of July 15, 2021.

The operation involved Iccrea Banca (participating as assignor, promotor and joint arranger), BCC Leasing, BCC Financing and 71 other mutual banks belonging to the ICBG and three banks not belonging to the Group (Banca Ifis, Cassa di Risparmio di Asti and Guber Banca) in the sale pursuant to Law 130 of April 30, 1999 of the same number of portfolios of unsecured loans and mortgage loans, mainly backed by first mortgages, classified as bad loans at the date of sale, and receivables in respect of finance leases due to debtors classified as bad loans for a total of about €1.3 billion at the date of the transaction took financial effect, to a specifically established securitization vehicle company called "BCC NPLs 2021 Srl", which simultaneously granted a management engagement to a third-party servicer independent of the ICBG.

The transaction was carried out with the aim of reducing the stock of bad loans, thereby decreasing their impact on total assets and, consequently, improving the company risk profile.

On November 16, 2021, the SPV purchased the il portfolio from the assignor banks, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of €336.5 million, divided into the classes indicated below:

- €284 million of Senior Notes, maturing in January 2046, rated Baa2, BBB and BBB respectively by Moody's Italia Srl, Scope Ratings and ARC Ratings;
- €39.5 million of Mezzanine Notes, maturing in January 2046, rated Caa2, CCC and CCC+ respectively by Moody's Italia Srl e Scope Ratings e ARC Ratings;
- €13 million of Junior Notes, maturing in January 2046 and not rated.

The securities are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors on November 29.

The derecognition of the bad loans took place following the sale of the mezzanine and junior tranches to a third-party non-ICBG investor, which, as noted, took place for both tranches on November 29, 2021. The investor subscribed (i) 94.38% of the principal of the mezzanine notes on the issue date at a price equal to 27.85% of the relative principal amount and (ii) 94.38% of the principal of the junior notes on the issue date at a price equal to 0.08% of the relative principal amount

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 239.0 | 184.9 |
| Class B | 1.8 | 0.6 |
| Class C | 0.5 | - |
| Limited-recourse loan | 11.9 | 10.7 |

The transaction is structured in such a way so that the senior notes can benefit from the State guarantee referred to earlier, pending the deconsolidation by the assignor banks of the loans involved in the transaction in accordance with the IAS/IFRS. In order to obtain admission to the state guarantee scheme, Iccrea Banca – under a specific delegation from the assignor banks – submitted an application to the MEF on December 24, 2021.

### "GACS VI" SECURITIZATION

In May 2022 a multi-originator securitization of bad loans was completed with the presentation to the Ministry for the Economy and Finance (MEF) a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitizations of Bad Loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018 and subsequently amended by Law 41 of May 20, 2019 ratifying Decree Law 22 of March 25, 2019 with amendments and the extension decree of the MEF of July 15, 2021.

The operation involved Iccrea Banca (participating as assignor, promotor and joint arranger), BCC Leasing, Banca Sviluppo, BCC Financing and 63 other mutual banks belonging to the ICBG and three banks not belonging to the Group (Banca Valsabbina, Banca di Credito Popolare and Cassa di Risparmio di Asti) in the sale pursuant to Law 130 of April 30, 1999 of the same number of portfolios of unsecured loans and mortgage loans, mainly backed by first mortgages, classified as bad loans at the date of sale, and receivables in respect of finance leases due to debtors classified as bad loans for a total of about €644.5 million at the date of the transaction took financial effect, to a specifically established securitization vehicle company called "BCC NPLs 2022 Srl", which simultaneously granted a management engagement to a third-party servicer independent of the ICBG.

The transaction was carried out with the aim of reducing the stock of bad loans, thereby decreasing their impact on total assets and, consequently, improving the company risk profile. The securitization mechanism and the State guarantee on the senior class of notes made it possible to obtain a higher sale value than in an ordinary market operation and contained the impacts of the disposal.

On May 2, 2022, the SPV purchased the il portfolio from the assignor banks, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of €168 million, divided into the classes indicated:

- €142 million of Senior Notes, maturing in January 2047, rated Baa1 (sf) and BBB (sf) respectively by Moody's Italia Srl and ARC Ratings;
- €19.5 million of Mezzanine Notes, maturing in January 2047, not rated;
- €6.5 million of Junior Notes, maturing in January 2047, not rated.

The securities are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors.

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 127.4 | 121.9 |
| Class B | 1.0 | 0.4 |
| Class C | 0.3 | - |
| Limited-recourse loan | 4.2 | 3.7 |

The transaction is structured in such a way so that the senior notes can benefit from the State guarantee referred to earlier, pending the deconsolidation by the assignor banks of the loans involved in the transaction in accordance with the IAS/IFRS. In order to obtain admission to the state guarantee scheme, Iccrea Banca – under a specific delegation from the assignor banks – submitted an application to the MEF on May 6, 2022. The guarantee was issued with a measure of June 10, 2022.

### CREDICO FINANCE 18 SECURITIZATION

A securitization was carried out in the third quarter of 2019 in which 14 mutual banks assigned without recourse a portfolio of performing loans identified "en bloc" with a total value of about €519.4 million to the special purpose vehicle Credico Finance 18 Srl (hereinafter also the SPV), in which the Group does not hold an interest nor do its employees hold positions as corporate officers. The initial portfolio involved monetary claims in respect of mortgage and other loans granted to small and medium-sized enterprises.

The operation aimed at raising significant financial resources as an alternative to direct borrowing, enabling a reduction in exposures for the purposes of solvency ratios, without excluding the originator from managing relationships with customers: it is a tool for funding on international markets to finance the Group's lending and falls with the scope of expectations to support for the development of the local economy, in line with the company's strategic guidelines.

The purchase of the portfolio by the SPV was financed through the issue of two categories of asset backed securities, in the total amount of €519.4, broken down as follows:

senior Class A notes in the amount of €290 million, maturing April 2057 with a rating assigned by Moody's, Scope Ratings and DBRS Ratings, which are in turn divided into two sub-classes (A1 Notes and A2 Notes) listed on the Euronext Dublin market and subscribed, respectively, by the EIB and Société Generale;
junior Class J notes in the amount of €229.4 million, maturing expiring April 2057, not rated, unlisted and fully subscribed by the originator banks themselves.
As regards the accounting treatment of the transaction, the securitization does not meet the requirements necessary for the derecognition of the assets transferred to the vehicle (loans) since the subscription of the junior securities means that assignor banks have retained all the risks and rewards connected with the loans.

In December 2023, the originating banks repurchased of the residual loans in their respective portfolios involved in the assignment and, on January 12, 2024, following the full redemption of the junior securities, the unwinding of the securitization was completed.

## NEPAL SRL SECURITIZATION

In 2019 BCC di San Giorgio Quinto Valle Agno, now Banca di Verona e Vicenza, carried out a non-recourse assignment of non-performing loans, represented by mortgage and other loans to the securitization vehicle “Nepal Srl”, established pursuant to Law 130 of April 30, 1999 as amended.

The operation was carried out to reduce the stock of bad loans as a percentage of total assets, consequently improving the company risk profile.

The transaction involved the disposal of a portfolio of non-performing loans originated by BCC di San Giorgio Quinto Valle Agno and 18 other banks not belonging to the Group with a total value of about €734 million in terms of gross carrying amount, of which about €32.6 million were assigned by BCC di San Giorgio Quinto Valle Agno.

As part of the transaction, the SPV acquired the portfolio from the assignor banks, financing part of the purchase by issuing asset-backed securities not listed on any regulated market with a total nominal value of about €181.1 million, divided into the classes indicated below:

- €126.6 million of senior Class A Asset Backed Floating Rate Notes, maturing in 2037;
- €54.5 million of junior Class B Asset Backed Floating Rate and Variable Return Notes, maturing in 2037; and the remainder by paying about €75.7 million to the assignor banks, of which €51.8 million deriving from the subscription of 95% of the junior securities by third-party investors and €23.9 million from the liquid assets of the SPV connected with recovery activities performed by the securitization’s servicer.

As part of the securitization:

- the assignor banks subscribed 100% of the Class A notes and 5% of the Class B notes;
- the SPV entered into a servicing agreement with Guber Banca SpA, which is responsible for: (i) the management, administration, recovery and collection of loans; and (ii) certain reporting activities relating to the loans;
- (i) an interest cash reserve was established to support payments to the subscribers of the Senior notes in the applicable order of priority until a trigger event occurs and (ii) a recovery expenses cash reserve was set up to pay all costs and expenses incurred in debt collection activities.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans since following the sale of 95% of the junior tranche to Guber Banca SpA, Varde Partners, Inc and Barclays Bank Plc, substantially all the risks and rewards connected with the exposures have been transferred. Paragraph 3.2.12 of IFRS 9 states that on derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss for the year.

Consequently, at the conclusion of the operation, the bank:

- derecognized the loans involved in the assignment at the time the placement of the junior tranches on the market was settled;
- recognized in the income statement under the item “Gain (loss) on the disposal or repurchase of financial assets measured at amortized cost” the overall capital loss determined as the difference between the gross aggregate value at the date of assignment of the loans, less writedowns and inclusive of any collections on the loans attributable to the SPV at the assignment date (equal to about €32.6 million) and the consideration received (equal to about €9.3 million);
- recognized the notes subscribed in its balance sheet, for a value of more than €5.7 million in senior notes, €126 thousand in junior notes.

At the reporting date, the exposure of Banca di Verona e Vicenza to the securitization was represented by junior notes with a carrying amount of €53 thousand.

## LEONE SPV SECURITIZATION

In December 2018, BCC di Milano carried out a non-recourse assignment of a portfolio of non-performing loans, of which €25.8 million in loans classified as bad loans and €1.9 million in loans classified as unlikely to pay as at the assignment date.

The operation was carried out with the aim of reducing the bank's stock of non-performing loans and improving its risk profile.

The exposures were assigned to a securitization vehicle specially created in accordance with Law 130 of April 30, 1999 denominated "Leone SPV Srl". BCC di Milano does not hold an interest in the vehicle nor do its employees hold positions as corporate officers.

The sale price of the loan portfolio was set at €20.9 million. The special purpose vehicle financed the purchase of the loans by issuing asset-backed securities divided into two classes:

- senior notes in the amount of €12.6 million, maturing July 2030 and paying interest half-yearly;
- junior notes in the amount of €8.4 million, maturing July 2030 and paying interest half-yearly.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans since substantially all the risks and rewards connected with the exposures have been transferred.

The following table shows the positions held by BCC di Milano in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Senior | 12.6 | 3.1 |
| Junior | 0.4 | 0.3 |

## MARMAROLE SPV SECURITIZATION

In 2018, a securitization transaction was completed pursuant to Law 130 of April 30, 1999, with the participation of three mutual banks (BCC Ravennate - BCC Rimini and Gradara (formerly RiminiBanca) and BCC Agrobresciano) and 8 other banks not belonging to the ICBG as assignors of the same number of portfolios of unsecured and mortgage loans, with a total carrying amount of €568.3 million.

The portfolios were purchased by a special purpose vehicle set up pursuant to Law 130, denominated "Marmarole SPV Srl". The SPV financed the purchase of the loans by issuing the following classes of securities:

- €113.9 million of senior Class A Asset Backed Notes, maturing June 2031;
- €48.8 million of junior Class B Asset Backed Notes securities, maturing June 2031.

The securities have not been rated and are not listed on any regulated market.

On February 28, 2018, the senior notes and 5% of the junior notes were subscribed by the assignor banks in proportion to the price received by each for the sale of the related portfolio and the remaining junior notes were subscribed by an unrelated institutional investor.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans since substantially all the risks and rewards connected with the exposures have been transferred.

The following table shows the positions held by BCC Ravennate, BCC Rimini and Gradara and BCC Agrobresciano in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Class A | 26.2 | 8.0 |
| Class B | 0.6 | 0.6 |

## SPV PROJECT 1714 SECURITIZATION

In December 2018, in line with its NPL reduction targets, Banca Alpi Marittime completed the securitization of a portfolio of loans classified as non-performing with a total gross value of €109.7 million.

The exposures were assigned to a securitization vehicle specially created in accordance with Law 130/99 denominated “SPV Project 1714” which financed the purchase by issuing asset-backed securities divided into two classes:

- €17.2 million of senior notes;
- €11.4 million of junior notes.

Both classes of securities are unrated. The senior notes were subscribed by the bank, while the junior notes were placed with institutional investors.

The bank retained a 5% share of the loans for retention purposes in order to maintain the required net economic interest in the securitization.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans in view of the structure of the operation and the fact that substantially all the risks and rewards connected with the exposures have been transferred.

The following table shows the positions held by Banca Alpi Marittime in respect of the securitization at the reporting date.

| Class | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Senior | 14.0 | 5.3 |
| Junior | 3.1 | 1.2 |

## THIRD-PARTY SECURITIZATIONS

The Group holds securities in respect of securitizations carried out by third parties in the total amount of €37.3 million.

| Financial instruments | Nominal amount (€/million) | Carrying amount (€/million) |
|---|---|---|
| Senior notes | 219.4 | 25.3 |
| Mezzanine notes | 12.0 | 12.0 |
| **Total** | **231.4** | **37.3** |

The Group does not perform any servicer activities for third-party securitizations and does not hold any interest in the related special purpose vehicles.

The main exposures to third-party securitizations include, with a carrying amount of €16.4 million, senior unrated notes issued by the vehicle company Lucrezia Securitization Srl as part of the interventions of the Institutional Guarantee Fund for the resolution of crises at banks subjected to extraordinary administration procedures by the supervisory authorities (Bank of Italy). These notes are reported among the assets of the Group's balance sheet under "Financial assets measured at amortized cost".

The assets underlying these notes securities consist of impaired loans, largely secured in full by real estate.

With regard to the details of the transactions in which the Group operates as an investor, please see table "C.4 Prudential consolidation - Unconsolidated special purpose securitization vehicles", which among other things reports the Group's exposure to this type of vehicle.

## QUANTITATIVE DISCLOSURES

### C.1 - PRUDENTIAL CONSOLIDATION - EXPOSURES IN RESPECT OF MAIN OWN SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

| | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks |
| **A. Fully derecognized** | | | | | | | | | | | | | | | | | | |
| Non-performing receivables | 1,356,597 | 146 | 4,464 | - | 1,058 | | | | | | | | | | | | | |
| Loans | 48,561 | (2,572) | - | - | - | | | | | | | | | | | | | |
| **B. Partially derecognized** | | | | | | | | | | | | | | | | | | |
| **C. Not derecognized** | | | | | | | | | | | | | | | | | | |

Securitization transactions with on-balance-sheet exposures, guarantees and other forms of credit enhancement as underlying assets are reported in the table.

In particular, the “Loans” sub-item includes the exposure for the limited-recourse loans granted by the Parent Company to the securitization vehicles of the GACS transactions. Writedowns/writebacks refer to 2023 only.

### C.2 - PRUDENTIAL CONSOLIDATION - EXPOSURES IN RESPECT OF MAIN THIRD-PARTY SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

| | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks |
| Non-performing receivables | 24,427 | (11,240) | 300 | | | | | | | | | | | | | | | |
| Performing receivables | 12,578 | (2) | - | | | | | | | | | | | | | | | |

The table reports the exposures assumed by the Group in respect of third-party securitizations. Writedowns/writebacks refer to 2023 only.

## C.3 - PRUDENTIAL CONSOLIDATION – INVOLVEMENT IN SPECIAL PURPOSE SECURITIZATION VEHICLES

The Group does not have an involvement in securitization vehicles. The following table reports information on the vehicle companies used by the Group to carry out its own securitizations.

| | Registered office | Consolidation | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|---|---|
| | | | Loans | Debt securities | Other | Senior | Mezzanine | Junior |
| 1. BCC NPLS 2018 Srl | Conegliano, Via V. Alfieri.1 | no | 89,766 | - | - | 159,032 | 16,147 | 2,946 |
| 2. BCC NPLS 2018-2 Srl | Conegliano, Via V. Alfieri.1 | no | 164,043 | - | - | 310,853 | 26,514 | 7,535 |
| 3. BCC NPLS 2019 Srl | Conegliano, Via V. Alfieri.1 | no | 163,870 | - | - | 241,548 | 31,491 | 2,209 |
| 4. BCC NPLS 2020 Srl | Conegliano, Via V. Alfieri.1 | no | 279,116 | | | 351,353 | 21,155 | 3,073 |
| 5. BCC NPLS 2021 Srl | Conegliano, Via V. Alfieri.1 | no | 265,080 | | | 260,090 | 12,272 | 590 |
| 6. BCC NPLS 2022 Srl | Conegliano, Via V. Alfieri.1 | no | 125,193 | | | 131,834 | 5,392 | 531 |
| 7. Marmarole SPV Srl | Conegliano, Via V. Alfieri.1 | no | 70,984 | | | 36,461 | | 48,850 |
| 8.SPV Project 1714 Srl | Milan, Via Pestalozza 12/14 | no | 15,429 | | | 6,521 | | 11,440 |
| 9. Leone SPV Srl | Milan, Via San Prospero.4 | no | 16,429 | | | 9,428 | | 7,737 |
| 10. Nepal Srl | Milan, Via San Prospero.4 | no | 1,415 | | | | | 54,525 |

## C.4 - PRUDENTIAL CONSOLIDATION - UNCONSOLIDATED SPECIAL PURPOSE SECURITIZATION VEHICLES

| | Accounting classification of assets | Total assets | Accounting classification of liabilities | Total liabilities | Net carrying amount | Maximum loss exposure | Difference between loss exposure and carrying amount |
|---|---|---|---|---|---|---|---|
| | | (A) | | (B) | (C=A-B) | (D) | (E=D-C) |
| **A. Own securitizations with full derecognition of assigned assets** | | | | | | | |
| BCC NPLS 2018 Srl | AC | 166,944 | | | 166,944 | 166,944 | |
| | MFV | 1 | | | 1 | 1 | |
| BCC NPLS 2018-2 Srl | AC | 321,756 | | | 321,756 | 321,756 | |
| | MFV | 253 | | | 253 | 253 | |
| BCC NPLS 2019 Srl | AC | 252,461 | | | 252,461 | 252,461 | |
| | MFV | 2,040 | | | 2,040 | 2,040 | |
| BCC NPLS 2020 Srl | AC | 325,085 | | | 325,085 | 325,085 | |
| | MFV | 1,303 | | | 1,303 | 1,303 | |
| BCC NPLS 2021 Srl | AC | 195,644 | | | 195,644 | 195,644 | |
| | MFV | 670 | | | 670 | 670 | |
| BCC NPLS 2022 Srl | AC | 125,644 | | | 125,644 | 125,644 | |
| | MFV | 395 | | | 395 | 395 | |
| Marmarole SPV Srl | AC | 8,009 | | | 8,009 | 8,009 | |
| | MFV | 563 | | | 563 | 563 | |
| SPV Project 1714 Srl | AC | 6,510 | | | 6,510 | 6,510 | |
| Leone SPV Srl | AC | 3,105 | | | 3,105 | 3,105 | |
| | MFV | 244 | | | 244 | 244 | |
| Nepal Srl | MFV | 53 | | | 53 | 53 | |
| **B. Own securitizations with no derecognition of assigned assets** | | | | | | | |
| **C. Third-party securitizations** | | | | | | | |
| Lucrezia Securitisation Srl – Padovana/Irpinia | AC | 8,461 | | | 8,461 | 8,461 | |
| Lucrezia Securitisation Srl - Crediveneto | AC | 5,748 | | | 5,748 | 5,748 | |
| Lucrezia Securitisation Srl - Teramo | AC | 2,233 | | | 2,233 | 2,233 | |
| Eridano II SPV Srl | AC | 12,001 | | | 12,001 | 12,001 | |
| Borghese Uno Srl | AC | 5,837 | | | 5,837 | 5,837 | |
| Viveracqua Hydrobond Srl | MFV | 577 | | | 577 | 577 | |
| Belvedere SPV Srl | AC | 3,260 | | | 3,260 | 3,260 | |

(*) AC= financial assets measured at amortized cost; MFV = financial assets mandatorily measured at fair value; PFAC = financial liabilities measured at amortized cost.

### C.5 - PRUDENTIAL CONSOLIDATION – SERVICER ACTIVITIES - COLLECTIONS ON SECURITIZED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY SECURITIZATION VEHICLE

At December 31, 2023 the Group did not perform servicer activities for own securitizations in which the assigned assets had been derecognized pursuant to IFRS 9.

### C.6 - PRUDENTIAL CONSOLIDATION - CONSOLIDATED SPECIAL PURPOSE SECURITIZATION VEHICLES

There were no consolidated special purpose securitization vehicles at the reporting date.

## D. DISPOSALS

## A. FINANCIAL ASSETS ASSIGNED BUT NOT FULLY DERECOGNIZED

### QUALITATIVE DISCLOSURES

The operations mainly regard the use of government securities holdings for short- and medium-term repurchase transactions and receivables from customers assigned in the Group's securitization of its own assets.

### QUANTITATIVE DISCLOSURES

### D.1 - PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS ASSIGNED BUT FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

| | Financial assets assigned but fully recognized | | | | Associated financial liabilities | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | of which: securitized | of which: with sale and repurchase agreement | of which impaired | Carrying amount | of which: securitized | of which: with sale and repurchase agreement |
| **A. Financial assets held for trading** | **-** | **-** | **-** | **X** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | X | - | - | - |
| 2. Equity securities | - | - | - | X | - | - | - |
| 3. Loans | - | - | - | X | - | - | - |
| 4. Derivatives | - | - | - | X | - | - | - |
| **B. Other financial assets mandatorily measured at fair value** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Equity securities | - | - | - | X | - | - | - |
| 3. Loans | - | - | - | - | - | - | - |
| **C. Financial assets designated as at fair value** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Loans | - | - | - | - | - | - | - |
| **D. Financial assets measured at fair value through other comprehensive income** | **47,463** | **-** | **47,463** | **-** | **47,362** | **-** | **47,362** |
| 1. Debt securities | 47,463 | - | 47,463 | - | 47,362 | - | 47,362 |
| 2. Equity securities | - | - | - | X | - | - | - |
| 3. Loans | - | - | - | - | - | - | - |
| **E. Financial assets measured at amortized cost** | **12,337,927** | **2,094** | **12,333,565** | **-** | **12,085,484** | **1,994** | **12,080,033** |
| 1. Debt securities | 12,333,565 | - | 12,333,565 | - | 12,080,033 | - | 12,080,033 |
| 2. Loans | 4,362 | 2,094 | - | - | 5,451 | 1,994 | - |
| **Total 31/12/2023** | **12,385,389** | **2,094** | **12,381,027** | **-** | **12,132,846** | **1,994** | **12,127,395** |
| **Total 31/12/2022** | **6,342,945** | **266,538** | **6,073,192** | **3,638** | **6,101,145** | **35,701** | **6,064,172** |

### D.2 - PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS ASSIGNED AND PARTIALLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

The table has not been completed because there were no such positions at the reporting date.

## D.3 - PRUDENTIAL CONSOLIDATION - DISPOSALS INVOLVING LIABILITIES WITH RECOURSE ONLY ON ASSIGNED ASSETS NOT FULLY DERECOGNIZED: FAIR VALUE

| | Fully recognized | Partially recognized | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|
| **A. Financial assets held for trading** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - |
| 2. Equity securities | - | - | - | - |
| 3. Loans | - | - | - | - |
| 4. Derivatives | - | - | - | - |
| **B. Other financial assets mandatorily measured at fair value** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - |
| 2. Equity securities | - | - | - | - |
| 3. Loans | - | - | - | - |
| **C. Financial assets designated as at fair value** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - |
| 2. Loans | - | - | - | - |
| **D. Financial assets measured at fair value through other comprehensive income** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - |
| 2. Equity securities | - | - | - | - |
| 3. Loans | - | - | - | - |
| **E. Financial assets measured at amortized cost** | **185** | **-** | **185** | **21,940** |
| 1. Debt securities | - | - | - | - |
| 2. Loans | 185 | - | 185 | 21,940 |
| **Total financial assets** | **185** | **-** | **185** | **21,940** |
| **Total associated financial liabilities** | **-** | **-** | **X** | **X** |
| **Net value 31/12/2023** | **185** | **-** | **185** | **X** |
| **Net value 31/12/2022** | **16,442** | **-** | **X** | **21,940** |

## B. FINANCIAL ASSETS ASSIGNED AND FULLY DERECOGNIZED WITH RECOGNITION OF CONTINUING INVOLVEMENT

At the reporting date, there are no transactions for the assignment of fully derecognized financial assets with the recognition of continuing involvement.

## C. FINANCIAL ASSETS ASSIGNED AND FULLY DERECOGNIZED

### QUALITATIVE DISCLOSURES

As at December 31, 2023, the Group held shares in investment funds acquired as part of multi-originator assignments of loan portfolios.

Information on the transactions carried out by certain Group banks following the establishment of the ICBG is reported below.

### ALBA 2 FUND DISPOSAL

In December 2019, Banca CRAS, now Banca Centro Toscana-Umbria, completed the assignment of a portfolio of impaired loans secured by first mortgages to a restricted Italian alternative closed-end real estate investment fund called ALBA 2 and managed by Blue SGR SpA.

At the assignment date the net value of the loans came to more than €1.5 million, with a total gross carrying amount of €1.8 million.

The purpose of the Fund is the collective investment of capital primarily in real property, property rights and/or equity interests in real-estate companies, in addition to the professional management and development of the Fund’s assets. More specifically, the Fund Rules provide for investment real property, property rights and/or equity interests in real-estate companies, units of real estate CIUs, including foreign CIUs, as well as other real estate assets provided for by applicable legislation, in an amount of not less than two-third of the total value of the assets held. The Fund may reduce the typical investment share to a minimum of 51% where no less than 20% of its assets are invested in financial instruments representing securitizations involving real property, property rights or loans secured by mortgages. No more than one third of the Fund’s assets may be invested in financial instruments listed and unlisted on regulated markets other than those already referred to above, units of Italian and/or foreign CIUs and bank deposits, financial instruments representing securitizations involving real property, property rights or loans secured by mortgages as well as loans and securities representing loans, including those connected with the disinvestment of listed or unlisted non-performing mortgage loans, asset-backed securities and other assets for which a market exists and which have a value that can be determined with certainty at least every six months. As regards investment in loans in particular, the Fund may invest in loans or portfolios of impaired loans sold by banks or financial companies primarily originating in respect of medium and long-term exposures secured by mortgages on real property as well as other loans connected with and/or accessory to the above loans, even if not secured by mortgages. In compliance with the provisions of current legislation, investment in loans is permitted provided that such loans have a term not exceeding the duration of the Fund.

At the end of 2020, BCC di Caravaggio completed another assignment of impaired loans secured by first mortgages to ALBA 2. The gross carrying amount of the loans came to more than €5.1 million.

Against the assignment of the assets, each bank subscribed units of the fund. At December 31, 2023 the value of the units subscribed by the Group, including assignments carried out by another three mutual banks prior to the establishment of the Group, came to a total €18.8 million.

### CLESSIDRA RESTRUCTURING FUND DISPOSAL

At the end of September 2019, BCC Credito Padano and Banca Cremasca e Mantovana completed the assignment of a portfolio of impaired loans to a restricted Italian alternative closed-end real estate investment fund called Clessidra Restructuring Fund and managed by Clessidra SGR SpA

At the assignment date the net value of the loans came to about €3.7 million, with a total gross carrying amount of €6.7 million.

The purpose of the Fund is to increase the value of its assets, through investment and capital appreciation transactions primarily at medium and long term mainly involving the purchase and/or subscription and/or assignment and/or or the sale, directly or indirectly, of loans, financing and, under certain conditions, other instruments. As regards investment in loans, the Fund Rules establish that the Fund may invest in impaired loans or portfolios of loans with a term not exceeding the duration of the Fund, originating mainly in respect of medium/long-term exposures secured by mortgages, as well as other loans connected with and/or accessory to the above loans, even if not listed.

Following the assignment of the loans, the Bank subscribed units of the Fund, recognizing through profit or loss the difference between the aggregate gross value at the date of assignment of the loans, net of writedowns at the same date and including any collections on the loans pertaining to the Fund, and the fair value of the units received.

At the reporting date, the value of the units of Fondo Clessidra subscribed by the Group came to a total €2.5 million.

## ARES 1 FUND DISPOSAL

In March 2019, BCC di Pisa e Fornacette completed the assignment of a portfolio of impaired loans secured by first mortgages and unsecured loans to a restricted Italian alternative closed-end investment fund called ARES 1 and managed by Namira SGR p.a.

At the assignment date the net value of the loans came to €4.6 million, with a total gross carrying amount of about €23 million.

The main purpose of the Fund is the investment and management of loans acquired through contributions and other assets acquired following collection actions on loans or through purchases from subscribers or third parties, including on an ancillary and residual basis, pursuant to the provisions indicated below . On an ancillary and residual basis, in addition investing in the loans the Fund can help diversify its assets and/or to meet treasury and liquidity needs by investing its own resources up to a limit of one-third of the total Fund assets in: (i) financial instruments traded on a regulated market; (ii) financial instruments not traded on a regulated market; (iii) shares or units of collective investment undertakings, including foreign entities, traded or not traded on a regulated market, including those promoted or managed by the SGR or by other entities belonging to the SGR's group. Following recovery procedures involving the acquisition of real property assets, the SGR, in implementing the purpose of the Fund, may invest up to one-third of the total Fund assets (i) real property of various types and uses, (ii) equity interests, both direct and indirect, in real estate companies and holding companies of real estate companies, listed and unlisted; and (iii) real property rights.

Following the assignment of the assets indicated above, BCC di Pisa e Fornacette subscribed units in the Fund, recognizing through profit or loss the difference between the aggregate gross value at the date of assignment of the loans, net of writedowns at the same date and including any collections on the loans pertaining to the Fund, and the fair value of the units received, as determined in accordance with IFRS 13.

At the reporting date the value of the units of Fondo ARES 1 subscribed by the bank came to €4.7 million.

## P&G CREDIT MANAGEMENT UNO FUND DISPOSAL

In November 2019, BCC di Pisa e Fornacette completed the assignment of a portfolio of impaired loans secured by first mortgages and unsecured loans to a restricted Italian alternative closed-end real estate investment fund called P&G Credit Management Uno managed by P&G SGR SpA.

At the assignment date the net value of the loans came to €2.7 million, with a total gross carrying amount of about €13.3 million.

The main purpose of the Fund is the investment and management of loans acquired through contributions and other assets acquired following collection actions on loans or through purchases from subscribers or third parties, including on an ancillary and residual basis, pursuant to the provisions indicated below. On an ancillary and residual basis, in addition investing in the loans the Fund can help diversify its assets and/or to meet treasury and liquidity needs by investing its own resources up to a limit of one-third of the total Fund assets in: (i) financial instruments traded on a regulated market; (ii) financial instruments not traded on a regulated market; (iii) shares or units of collective investment undertakings, including foreign entities, traded or not traded on a regulated market, including those promoted or managed by the SGR or by other entities belonging to the SGR's group. Following recovery procedures involving the acquisition of real property assets, the SGR, in implementing the purpose of the Fund, may invest up to one-third of the total Fund assets (i) real property of various types and uses, (ii) equity interests, both direct and indirect, in real estate companies and holding companies of real estate companies, listed and unlisted; and (iii) real property rights.

Following the assignment of the assets, BCC di Pisa e Fornacette subscribed units of the fund.

At the reporting date the value of the units of Fondo P&G Credit Management Uno subscribed by the bank came to

€2.4 million.

## VALUE ITALY CREDIT 1 AND VALUE ITALY CREDIT 2 FUNDS DISPOSAL

In January 2020, BCC di Pisa e Fornacette completed the assignment a portfolio of impaired loans secured in part by first mortgages and in part unsecured to two restricted Italian alternative closed-end real estate investment funds called Value of Italy Credit 1 and Value of Italy Credit 2 managed by Value Italy SGR SpA. The assignment to the Value Italy Credit 1 Fund involved loans classified as unlikely to pay with a gross value at the assignment date of €3.8 million and a net value of over €2 million. In exchange for the assignment of the assets indicated above, the Bank subscribed units in the Fund in the total amount of €2.4 million, recognizing a gain of €303 thousand through profit or loss, corresponding to the difference between the aggregate gross value at the date of assignment of the loans, net of writedowns at the same date and including any collections on the loans pertaining to the Fund at the assignment date, and the fair value of the units received, as determined in accordance with IFRS 13.

The gross value of the loans assigned to Value Italy Credit 2 Fund came to €11.8 million, with a net value of €4.2 million net of value adjustments. In exchange for the assignment of the assets indicated above, the Bank subscribed units in the Fund, recognizing the difference between the aggregate gross value at the date of assignment of the loans, net of writedowns at the same date and including any collections on the loans pertaining to the Fund at the assignment date, and the fair value of the units received, as determined in accordance with IFRS 13.

At the reporting date the value of the units subscribed by the bank came to €3.2 million.

## KEYSTONE FUND DISPOSAL

During 2022, BCC di Fano, BCC Magna Grecia (formerly Banca 2021), Banca Centro, Banca Cremasca e Mantovana and BCC Romagnolo completed the assignment of impaired exposures in respect of loans secured by mortgages or unsecured classified primarily as unlikely to pay or bad loans, to Keystone, a restricted Italian alternative closed-end investment fund reserved to professional investors established for this purpose by Krialos SGR SpA. At the assignment date, the gross carrying amount of the assigned loans came to €31.45 million.

The purpose of the Fund is the collective investment of the capital raised in order to generate income, through the professional management of the Fund, from investment operations and the allocation and distribution of the net management gains, including following the disinvestment from the investments made.

The disposal is part of a broader operation involving eight other Italian leading banking groups.

The transfer of the credits to the Fund was carried out through non-recourse “en bloc” assignments with the concomitant subscription by the assignors of the Fund units, issued in amounts corresponding to the consideration for the assignment of the loans and the payment of the units by offsetting the Fund’s liability to the relevant assignor. The loans were assigned by each participating bank in different percentages with respect to the total value of the Fund and with respect to the type of guarantee present. The sale of the loans is unconditional and there are no repurchase options or guarantees issued that could limit the losses of the Fund.

At the reporting date, the carrying amount of the units of the Keystone Fund subscribed by the Group came to a total of €17.8 million.

## ILLIMITY CREDIT & CORPORATE TURNAROUND DISPOSAL

On April 1, 2021, Iccrea Banca, BCC Ravennate Forlivese e Imolese, Chiantibanca and Iccrea BancaImpresa completed the assignment of unlikely-to-pay (UTP) loans to the Illimity Credit & Corporate Turnaround fund, a restricted Italian alternative closed-end investment fund, receiving units of the fund, which is managed by Illimity SGR, in exchange. Subsequently, the Group participated in a second closing on October 21, 2021, with the assignment of loans by Iccrea BancaImpresa, Riviera Banca and Credito Padano.

A third assignment was completed in April 2022 by Chiantibanca for €1.55 million.

In March 2023, Banca di Credito Cooperativo di Alba, Langhe, Roero e del Canavese completed a further assignment of unlikely-to-pay (UTP) loans to the Illimity Credit & Corporate Turnaround fund. At the assignment date, the gross carrying amount and net carrying amount of the loans assigned by the bank came to €7.2 million and €2 million, respectively.

The disposals are part of a broader operation involving Italy's leading banking groups. The structure of the transaction provided for the non-recourse assignment to the fund of a portfolio of UTP loans due from companies. The positions were sold directly to the fund, with the exception of the establishment of a securitization structure without tranching for the lease receivables sold by Iccrea BancaImpresa in order to enable the transfer of ownership of the leased assets. Against the assignment of the loans, each bank subscribed class A units of the fund in proportion to the value of the loans assigned by the bank.

With successive closings, between 2021 and 2023, the Group assigned total UTP positions with a gross book value of €66 million.

At the reporting date, the value of the units of Fondo Illimity Credit & Corporate Turnaround subscribed by the Group against the assignments came to a total €37.9 million.

### BACK2BONIS- PROJECT CUVÉE DISPOSAL

On December 3, 2021, Iccrea Banca and the Cassa Rurale ed Artigiana di Binasco, with their participation in Wave 4 of the Cuvée Project, completed the sale of unlikely-to-pay (UTP) loans with the subscription of the units of a restricted Italian alternative closed-end securities investment fund called Back2Bonis, managed by Prelios SGR SpA. The fund, established in 2019 by the Prelios Group and AMCO, works to create a multi-originator platform to manage UTP positions, consisting of loans and credit lines granted to companies operating in the real estate sector or to real estate funds.

The operation took the form of i) the sale without recourse of a portfolio of UTP loans owed to companies operating in the real estate sector or to real estate funds to a securitization vehicle pursuant to Law 130/99 called Ampre Srl (ii) the subscription of the securities issued by the securitization vehicle by the Back2Bonis fund and (iii) subscription of the Fund units against the loans being assigned.

As part of the transaction, which saw the participation of leading Italian banking groups:

- Iccrea Banca assigned a portfolio consisting of 3 positions with a gross carrying amount of €8.5 million and subscribed 9.1 units with a nominal value of €4.3 million (€467 thousand per unit),
- CRA Binasco assigned a portfolio of 11 positions with a gross carrying amount of €39.2 million and subscribed 42.7 units with a nominal value of €19.9 million (€467 thousand euros per unit).

Within the broader scope of the overall derisking operation denominated Quantum, in December 2023 a second assignment for consideration and without recourse was completed of loan portfolios mainly classified as unlikely to pay to the SPV 130 securitization vehicle established pursuant to Law 130 of April 30, 1999. The loans were assigned in full by the vehicle to the Back2Bonis Fund.

In exchange for the assignment of loans to the vehicle, the assignor banks subscribed units of the fund, which in turn subscribed the Notes issued by SPV 130 to offset the Fund's receivable due from the latter as a result of the assignments. On the date of assignment, the gross book value of the assigned loans came to €11.7 million.

At the reporting date, the value of the units of Fondo Back2Bonis subscribed by the Group in respect of the two assignments came to a total €30.2 million.

### ILLIMITY REAL ESTATE CREDIT FUND DISPOSAL

On August 8, 2022 Iccrea Banca and BCC Leasing completed the assignment of unlikely to pay (UTP) and bad loans to the Illimity Real Estate Credit Fund, a restricted Italian alternative closed-end securities investment fund, receiving units of the Fund, which is managed by Illimity SGR, in exchange. The Fund focuses on high-risk UTP and NPL exposures and in general receivables in respect of companies active in the real estate and energy sectors. The assignment took place through a securitization structure, with the participation of a lease company for lease assets and leases assigned by BCC Leasing. In 2022 the Group assigned receivables and lease assets with a total gross book value of €42.6 million.

On December 21, 2023, Cassa Rurale e Artigiana di Cantù undertook a securitization involving the non-recourse assignment of a portfolio of UTP loans to iREC SPV Srl, a securitization vehicle established pursuant to Law 130 of April 30, 1999. The receivable claimed by the Bank from the SPV following this assignment was fully transferred to the Illimity Real Estate Credit Fund in exchange for units in the same issued in an amount equal to the carrying amount of the assigned loans. The transfer of the loans to the Fund was then finalized with the subscription by the assignor bank of the Fund units and settlement of the same by offsetting the Fund's receivable against the receivable of the relevant assignor. At the date of assignment, the gross and net book value of the loans assigned by Cassa Rurale e Artigiana di Cantù came to €2.1 million and €0.1 million respectively.

At December 31, 2023, the units of the Illimity Real Estate Credit Fund subscribed by the Group came to a total €22.3 million.

## ELEUTERIA FUND - PROJECT PHOENIX DISPOSAL

On October 31, 2023, Cassa Rurale e Artigiana di Binasco undertook a securitization involving the non-recourse assignment of a portfolio of UTP loans to Eudaimonia SPV Srl. a securitization vehicle pursuant to Law 130/99. The Bank's claim on the SPV for the assignment was transferred in full to the Eleuteria Fund in exchange for units issued by the latter in an amount equal to the claim. In turn, the Fund subscribed the notes issued by Eudaimonia SPV to offset the receivables in respect of the SPV.

Fondo Eleuteria, established and managed by Prelios SGR SpA, is a restricted Italian alternative closed-end securities investment fund reserved for professional investors. The purpose of the Fund is the collective investment of the capital raised in order to generate income, through the professional management of the Fund, from investment operations and the allocation and distribution of the net management gains among the participants, including following the disinvestment from the investments made. The Fund provides for the issue a single class of unit bearing the same administrative and property rights for all unitholders.

The assignment of loans to the Fund took place in concomitance with the subscription by the assignor bank of Fund units with settlement of the same through the offsetting of the respective claims. At the date of assignment, the gross and net book value of the assigned loans came to €4.5 million and €2.1 million respectively.

At December 31, 2023, the value of the units subscribed in the Eleuteria Fund came to €2.6 million.

## UTP ITALIA FUND - COMPARTO CREDITI DISPOSAL

As part of the broader "MIBLE" derisking operation, the transfer of impaired loans represented by bad loans and UTPs was completed in the first quarter of 2023, largely relating to households and small economic operators, mainly mortgages backed by residential and commercial guarantees to the "UTP Italia – Comparto Crediti" Fund, a restricted Italian alternative closed-end investment fund for professional investors. The manager of the fund, which already includes leading national banking groups and which is inspired by the principles of ethical management with a back to performing recovery approach, is Sagitta SGR, while Intrum plays the role of servicer and Zenith Service acts as master servicer.

The transaction consisted of two assignments:

- in February 2023, the first assignment was completed with a portfolio of individual loans amounting to about 102.8 million, involving 39 mutual banks and the Parent Company Iccrea Banca;
- in September 2023, the second assignment was completed by the Parent Company Iccrea Banca and 26 mutual banks in the total amount of €33.5 million.

The Fund has two segments: (a) "Fondo UTP ITALIA - Comparto Crediti" and (b) "Fondo UTP ITALIA – Comparto Nuova Finanza". Each segment issues a single class of unit, namely the "Comparto Crediti" units and the "Comparto Nuova Finanza" units.

Against the assignment of the loans, each participating bank subscribed units of the Fund. At December 31, 2023, the units in Fondo UTP ITALIA - Comparto Crediti subscribed by the Group came to a total 66.3 million.

The above assignments led to the full derecognition of the assigned loans by the assignor banks, as the assignment transferred substantially all the risks and rewards connected with ownership of the assets transferred to the assignee. Similarly, the requirements for the application of IFRS 10 and for the consequent consolidation of the funds do not obtain, despite being exposed to the variable returns deriving from the activities of the fund, since the banks do not have the power or the ability to determine or affect the investment strategies of the fund, a power that the governance arrangements established with the fund rules attribute solely to the asset management company.

The fund units are classified under "Financial assets mandatorily measured at fair value through profit or loss", since their nature and contractual characteristics mean they do not pass the SPPI test. In compliance with the applicable accounting standards and the policies, criteria and methods defined by the Group, the value of the units was modified at December 31, 2023 to take account of the liquidity adjustment. For further information, please see Part A

"Accounting Policies" of these notes to the consolidated financial statements.

The investment in the funds presents a level of risk related to the intrinsic characteristics of the underlying real estate product. The risk profile of the funds is determined using a scoring assessment method, which considers the qualitative and quantitative elements of the risk factors described below:

- market risk, represented by the risk that the value of the fund units will decrease as a result of fluctuations in the value of the assets in which the Fund's resources are invested (for example, due to the effect of price developments over time in relation to the type of properties and the geographical area in which they are located);
- liquidity risk, consisting in the risk that the fund will be unable (due in part to the low liquidity and the variable valuations of the real estate assets) to meet its commitments in respect of its creditors and investors due to the insufficiency of its funds with respect to liabilities or to the less than optimal balance between readily liquidable assets and enforceable liabilities;
- concentration risk, deriving from an excessive exposure to individual real estate initiatives, individual counterparties, entities belonging to the same economic sector or located in the same geographical area;
- counterparty risk, represented by the risk that the counterparty in one of the transactions will default before final settlement of the cash flows of the transaction, thus affecting the performance of the assets in which the funds invest;
- interest rate risk, represented by the risk of changes in interest rates that could impact loan agreements and any derivative contracts, in particular with regard to interest expense and the differences that the fund is required to pay to credit institutions;
- other risks, such as, but not limited to: changes in the legislative framework, failure to obtain the necessary authorizations, delays or interruptions in the execution of the contracted works, unexpected environmental charges, exceptional events not covered by insurance policies, legal or tax disputes, other operational risks related to the management of the assets or risks related to the use of leverage as governed by the fund rules.

As regards procedures for monitoring these risks, the Group continues to use the management tools they use for other investments in their portfolio and verifies that the operations as a whole are managed in accordance with the law and the fund rules, based on the reports that the asset management company periodically submits to subscribers.

## D. TRANSACTIONS IN COVERED BONDS

With regard to covered bonds, in 2023 two additional assignments of the covered bond program, started in 2021, were completed, giving the Group an additional medium-long term funding channel. The program, the first in the cooperative banking industry in Italy, involves Iccrea Banca as the issuer of covered bonds and a number of affiliated banks as assignors and servicers of a portfolio of primary credit quality mortgages pledged to secure the bonds issued.

The Program aims at providing investors with a secured product that can be used to improve their medium/long-term financial profile. Given the evolution of the financial markets, it is part of a broader strategy aimed at: (i) contain funding costs, thanks to considerable attractiveness of covered bonds as instruments issued directly by a bank whose repayment is also secured by a segregated asset pool (in this case, residential mortgage loans). Thanks to their ability, in the event of bankruptcy of the issuing bank, to recover their position against specially segregated high quality assets, the holders of covered bonds are willing to accept a lower return than that they would demand for similar unsecured bonds;(ii) diversify funding sources on the international market as well and (iii) lengthen the average maturity of debt.

The Program, allowing the Group to enter a new market characterized by particular complexity, both operational and legal, was based on a governance and control process entrusted to the responsibility of Iccrea Banca (which also plays a management role and coordination, centralizing the management and control activities of the cover pool, the role of master servicer and test calculation agent) and is based on offer documentation submitted to the approval of the Commission de Surveillance du Secteur Financier (CSSF) of the Grand Duchy of Luxembourg. With the approval of the Program, Iccrea Banca can issue Covered Bonds in the amount of up to €10 billion over a period of 10 years.

The structuring of the Group’s covered bond program involved the implementation of the following activities:

- an assignment by a number of mutual banks, including the Bank to a specially formed SPV called Iccrea Covered Bond Srl of a portfolio of loans held by the assignor banks, which will represent the segregated assets pursuant to and for the purposes of the provisions of Law 130 on securitizations. The program permits additional assignments of loans, which will form part of the segregated assets, both by the initial assignor banks and by any additional affiliated banks;
- the grant to the SPV by the assignor banks of a subordinated loan to provide the SPV with the resources to purchase the loans being assigned (the “subordinated loan;
- the issue by the SPV of an autonomous, irrevocable and unconditional first demand guarantee (the covered bond guarantee) to the exclusive benefit of the investors holding the covered bonds and senior creditors of the program (the guarantee provides for limited recourse against the assets in the cover pool held by the SPV, which performs the role of Guarantor);
- the issue by Iccrea of the covered bonds and the proportional transfer of the liquidity raised to the assignor banks.

At the reporting date, a total of four assignments were carried out. More specifically:

- on June 28, 2021, the first portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €674 million by eight initial assignor banks;
- on June 7, 2022, the second portfolio was sold, for a total nominal amount of €697 million by eight assignor banks, of which three already participating in the Program;
- on January 26, 2023, the third portfolio was sold, for a total nominal amount of €498.3 million by eight assignor banks, of which six already participating in the Program;
- on August 10, 2023, the fourth portfolio was sold, for a total nominal amount of €877.5 million by 14 assignor banks, of which nine already participating in the Program.

Following the issue of the second level legislation governing covered bonds, covered bonds have been placed on the capital market with professional investors, with the consequent disbursement of liquidity to the assignor banks.

The following table summarizes the characteristics of the covered bond issues completed following the first three assignments. With regard to the fourth assignment, the issue of the covered bonds had not yet been completed at the reporting date.

| | Nominal amount €/million | Maturity | Issue date | Maturity date | Rating | Coupon frequency | Rate |
|---|---|---|---|---|---|---|---|
| Issue I | 500.0 | 7 years | 23/09/2021 | 23/09/2028 | Aa3 Moody's | annual | 0.01% gross |
| Issue II | 650.0 | 5.5 years | 12/07/2023 | 12/01/2029 | Aa3 Moody's | annual | 3.875% gross |
| Issue III | 600.0 | 4 years | 08/11/2023 | 08/11/2027 | Aa3 Moody's | annual | 4% gross |

The table below details the participation of the individual assignor banks in the Program at December 31, 2023.

| Bank name | €/million |
|---|---|
| Emil Banca - Credito Cooperativo - Societa' Cooperativa | 283.6 |
| Banca Centro-Credito Cooperativo Toscana-Umbria Soc.Cooperativa | 114.0 |
| Credito Cooperativo Friuli (Abbreviato Credifriuli) - Societa' Cooperativa | 259.1 |
| Banca di Credito Cooperativo Di Milano - Societa' Cooperativa | 170.0 |
| Credito Cooperativo Ravennate, Forlivese e Imolese Societa' Cooperativa | 326.6 |
| Banca Patavina Credito Cooperativo di Sant'Elena e Piove Di Sacco, Societa' Cooperativa | 127.0 |
| Centromarca Banca - Credito Cooperativo di Treviso E Venezia, Societa' Cooperativa Per Azioni | 58.9 |
| Banca di Credito Cooperativo Venezia Giulia Societa' Cooperativa | 119.3 |
| Banca della Marca Credito Cooperativo - Societa' Cooperativa | 98.5 |
| Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo - Societa' Cooperativa | 59.1 |
| Cassa Rurale ed Artigiana di Binasco - Credito Cooperativo Societa' Cooperativa | 52.1 |
| Banca di Credito Cooperativo di Busto Garolfo E Buguggiate -Societa' Cooperativa | 45.7 |
| Terre Etrusche Di Valdichiana e di Maremma - Credito Cooperativo- S.C. | 123.8 |
| Banca di Credito Cooperativo di Roma Societa' Cooperativa | 347.2 |
| Credito Padano Banca di Credito Cooperativo - Societa' Cooperativa | 65.5 |
| Banca di Credito Cooperativo della Calabria Ulteriore - Societa' Cooperativa | 26.2 |
| Banca di Credito Cooperativo di Bellegra Societa' Cooperativa | 26.2 |
| Banca Alpi Marittime Credito Cooperativo Carru' - Società Cooperativa Per Azioni | 98.3 |
| Chiantibanca - Credito Cooperativo S.C. | 65.5 |
| Banca di Credito Cooperativo dei Colli Albani - Società Cooperativa | 19.7 |
| Rivierabanca - Credito Cooperativo di Rimini e Gradara - Società Cooperativa | 65.5 |
| **Total Cover Pool** | **2,552.1** |

As regards the accounting treatment of the operation:

- the assigned loans continue to be recognized by the assignor banks under item 40 b) "Financial assets measured at amortized cost: loans to customers", under the sub-item "medium/long-term loans", as the assignors retain the risks and rewards associated with the ownership of the assigned loans. The amount granted by the transferors to the SPV is not recognized as a separate item, as it is offset by the debt to the vehicle connected with the initial transfer price. This loan is therefore not subject to assessment for credit risk purposes, as the risk is entirely reflected in the valuation of the assigned loans, which continue to be recognized in the financial statements of the assignors;
- the value of the loans changes on the basis of events affecting them (account movements and valuations). Loan payments collected by assignors (who also act as servicers) are paid daily to the vehicle on the "collection account" and accounted for by the assignors as follows: *(i)* the collection of the principal amount from the borrower is recognized against a decrease in the receivable from the same borrower; *(ii)* the payment of the principal amount to the vehicle is recognized against the recognition of a receivable from the vehicle which is closed at the time of repayment of the subordinated loan;
- the interest collected from the borrower is recognized under item 10 of the income statement "Interest income: loans to customers" (interest on loans continues to be recognized on an accruals basis through the allocation of amounts accruing);
- the payment of interest to the vehicle is recognized against the recognition of a receivable from the vehicle which is closed at the time of collection of interest on the subordinated loan;
- Iccrea Covered Bond Srl, owned by Iccrea Banca, is recognized under item 70 "Equity investments";

- the covered bonds issued are recognized in liabilities under item 10c) "Financial liabilities measured at amortized cost: securities issued" and the related interest expense is recognized on an accruals basis.

In order to enable the assignee company to fulfill the obligations of the guarantee granted, Iccrea Banca uses appropriate asset and liability management techniques to ensure the overall balance between the cash flows generated by the assigned assets and the payments due in respect of the covered bonds issued and other transaction costs.

The program has been structured in accordance with applicable laws and regulations, which permit the issue of covered bonds on the condition of compliance with certain capital requirements for the assignor and issuing banks.

The structure of the Iccrea Banca program is subject to stringent regulatory constraints and provides for continuous oversight by the CFO and CRO areas, as well as monitoring by the Internal Audit function and an external auditor (Deloitte & Touche) in the role of Asset Monitor. In particular, the measures concern:

- audits of the quality and integrity of the assigned assets, in particular the estimated value of the properties to which the mortgages are attached. Action may consist of instructions to the assignor banks to carry out repurchases, make additions or conduct new sales of supplementary assets;
- audits of the maintenance of the correct relationship between the covered bonds issued and the assets transferred as collateral (cover pool);
- audits of compliance with the transfer limits and portfolio supplementation procedures consistent with risk objectives and tolerance thresholds specified in the RAF.

Information on the nature of the risks associated with maintaining the Covered Bond Program is provided below:

- portfolio supplementation risks: the contractual documentation provides for an obligation to supplement the portfolio in order to comply with the tests required by applicable legislation. Failure to comply with these tests would represent an issuer event of default, with the consequent activation of the guarantee issued by the SPV. This risk is mitigated by the control mechanisms described above;
- risks relating to cross-collateralization: the participation of the mutual banks - as assignor banks within the program - means that they compete, pari passu with each other as subordinated creditors of the vehicle and, above all, assume the obligation for compliance with regulatory tests and maintaining the quality and integrity of the assets pledged as collateral for the covered bonds. This implies that the limitation of the liability of each assignor bank to the portion of the portfolio transferred to the SPV and the connection of the portfolio supplementation obligations of each assignor bank if the quality of its portfolio should deteriorate only has contractual force between the assignor banks, but is not in any way enforceable against the vehicle and the investors. In order to minimize these consequences, the contractual documentation envisages a coordinating role in the management of the portfolio aimed at limiting the possible impact of a sudden deterioration in the quality of the cover pool*;*
- liability under the Framework Servicing Agreement: under the provisions of this agreement, the SPV grants (i) the role of Master Servicer to Iccrea Banca and (ii) the role of Servicer to the banks, which thus act as the entities responsible for collections on the loans each has assigned to the SPV. The liability risk of Iccrea Banca as Master Servicer are therefore limited to the fulfillment of the obligations undertaken by the latter pursuant to the Framework Servicing Agreement and does not extend to the actions of the servicers, who are in turn directly liable to the SPV on an individual basis. Iccrea Banca also assumes the role of entity responsible for verifying the compliance of operations with the law and the prospectus pursuant to Law 130. The Program also provides that each assignor bank shall undertake to handle, on behalf of the SPV, the administration, collection and enforcement of the loans in its portion of the portfolio.

## E. PRUDENTIAL CONSOLIDATION – MODELS FOR MEASURING CREDIT RISK

The section has not been completed because the Bank does not use internal portfolio models for measuring its exposure to credit risk.

## 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 Bank 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 Parent Company 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 verify compliance with rules and procedures as well as internal and external regulations.

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 second half of 2023 the indicator never breached the limits at the full book level.

The average VaR of the trading book was equal to €0.68 million, with a minimum of €0.39 million and a maximum of €1.05 million (on May 25, 2023).

At December 31, 2023 the VaR was equal to €0.68 million.

| Daily VaR Trading Book | Notional (in €/million) at 31/12/2023 | VaR | |
|---|---|---|---|
| | | Limit | Risk Profile |
| GBCI | 6,608 | 14 | 0.68 |

The table below shows the sensitivity values per risk factor at December 31, 2023, 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 | 24,558 | Sensitivity calculated in relation to 1 bp change |
| Inflation Rates | (1,782) | |
| Credit spread | 25,751 | |
| Equity | 181,504 | Sensitivity calculated in relation to 1% change in the share/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 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 shareholders' 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 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 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 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 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 adverse interest rate variations 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 to measures the sensitivity of the net interest income of the banking book (∆NII – NII sensitivity) are:

- Full Evaluation: the potential impact on net interest income of potential changes in risk-free rates 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 and expected net interest income in a baseline scenario with no such changes. This methodology is also adopted in stress tests to quantify the impacts on net interest income of possible changes in credit spreads (CSRBB);
- Earnings at Risk: a metric aimed at measuring the loss of profitability due to changes in interest rates, 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;
- Repricing gap: this measures the sensitivity of net interest income to changes in the reference rate by aggregating assets and liabilities in time buckets by repricing date. Assets and liabilities are aggregated in a number of predefined time buckets based on their next contractual repricing date or behavioral hypotheses. The weighting of the exposure for each time bucket for the time between the repricing date and the selected time horizon and the subsequent application of the assessment scenarios defined by the Group makes it possible to capture the impact of a change in rates on net interest income.

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 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 verify compliance with rules and procedures as well as internal and external regulations.

### 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 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 December 31, 2023 is reported below.

| €/million | Scenario | |
|---|---|---|
| | -100 bp | +100 bp |
| Impact on economic value | +329 | -180 |
| Impact on net interest income | -213 | +250 |

## 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.

## QUANTITATIVE DISCLOSURES

### 1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

| | Currency | | | | | |
|---|---|---|---|---|---|---|
| | **US dollars** | **Pounds sterling** | **Yen** | **Canadian dollars** | **Swiss francs** | **Other currencies** |
| **A. Financial assets** | **162,910** | **10,765** | **3,772** | **6,004** | **21,221** | **9,513** |
| A.1 Debt securities | 32,221 | 50 | - | - | - | 738 |
| A.2 Equity securities | 27,875 | 5,882 | - | 275 | 437 | 263 |
| A.3 Loans to banks | 61,708 | 3,583 | 1,983 | 5,729 | 3,262 | 8,512 |
| A.4 Loans to customers | 41,106 | 1,251 | 1,788 | - | 17,522 | - |
| A.5 Other financial assets | - | - | - | - | - | - |
| **B. Other assets** | **16,354** | **7,113** | **605** | **2,021** | **9,881** | **2,751** |
| **C. Financial liabilities** | **264,975** | **13,266** | **1,495** | **7,059** | **29,664** | **8,304** |
| C.1 Due to banks | 56,126 | 2,170 | 8 | 4 | 14,817 | 4,805 |
| C.2 Due to customers | 208,849 | 11,096 | 1,487 | 7,056 | 14,847 | 3,499 |
| C.3 Debt securities | - | - | - | - | - | - |
| C.4 Other financial liabilities | - | - | - | - | - | - |
| **D. Other liabilities** | **1,136** | **46** | **-** | **1** | **287** | **-** |
| **E. Financial derivatives** | | | | | | |
| - Options | | | | | | |
| + Long position | - | - | - | - | - | - |
| + Short positions | - | - | - | - | - | - |
| - Other derivatives | | | | | | |
| + Long positions | 581,527 | 26,329 | 230,934 | 111 | 11 | 1,818 |
| + Short positions | 495,913 | 28,380 | 229,942 | 808 | 2,450 | 5,048 |
| **Total assets** | **760,791** | **44,207** | **235,311** | **8,137** | **31,113** | **14,082** |
| **Total liabilities** | **762,024** | **41,691** | **231,437** | **7,868** | **32,400** | **13,352** |
| **Difference (+/-)** | **(1,232)** | **2,516** | **3,874** | **269** | **(1,288)** | **731** |

### 2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODS

There is no information to report.

## 1.3 DERIVATIVES AND HEDGING POLICIES

### 1.3.1 FINANCIAL DERIVATIVES HELD FOR TRADING

### A. FINANCIAL DERIVATIVES

### A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: END-PERIOD NOTIONAL VALUES

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets |
| | Central counterparties | Without central counterparties: Covered by netting arrangements | Without central counterparties: Not covered by netting arrangements | | Central counterparties | Without central counterparties: Covered by netting arrangements | Without central counterparties: Not covered by netting arrangements | |
| **1. Debt securities and interest rates** | **2,905,265** | **1,136,686** | **1,141,677** | **-** | **1,344,972** | **2,098,222** | **1,267,039** | **-** |
| a) Options | - | 421,422 | 275,174 | - | - | 306,716 | 253,366 | - |
| b) Swaps | 2,905,265 | 659,964 | 866,497 | - | 1,344,972 | 1,760,206 | 1,013,674 | - |
| c) Forwards | - | - | 6 | - | - | - | - | - |
| d) Futures | - | 55,300 | - | - | - | 31,300 | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **2. Equity securities and equity indices** | **-** | **2,284** | **570** | **-** | **-** | **4,338** | **570** | **-** |
| a) Options | - | 2,237 | - | - | - | 2,028 | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | - | 570 | - | - | - | 570 | - |
| d) Futures | - | 47 | - | - | - | 2,310 | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **3. Foreign currencies and gold** | **-** | **1,143,539** | **112,162** | **-** | **-** | **9,556,419** | **1,351,067** | **-** |
| a) Options | - | - | - | - | - | 5,714 | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | 1,143,539 | 112,162 | - | - | 9,550,705 | 1,351,067 | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **2,905,265** | **2,282,509** | **1,254,409** | **-** | **1,344,972** | **11,658,979** | **2,618,676** | **-** |

## A2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

| | 31/12/2023 | | | | 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets |
| | Central counterparties | Without central counterparties | | | Central counterparties | Without central counterparties | | |
| | | Covered by netting arrangements | Not covered by netting arrangements | | | Covered by netting arrangements | Not covered by netting arrangements | |
| **1. Positive fair value** | | | | | | | | |
| a) Options | - | 7,445 | 18 | - | - | 10,854 | - | - |
| b) Interest rate swaps | 105,444 | 21,132 | 3,372 | - | 81,935 | 37,969 | 1,597 | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - |
| e) Forwards | - | 33,169 | 5,517 | - | - | 87,094 | 8,071 | - |
| f) Futures | - | 229 | - | - | - | 789 | - | - |
| g) Other | - | - | - | - | - | - | - | - |
| **Total** | **105,444** | **61,975** | **8,906** | **-** | **81,935** | **136,706** | **9,668** | **-** |
| **2. Negative fair value** | | | | | | | | |
| a) Options | - | 879 | 9,705 | - | - | 1,034 | 13,422 | - |
| b) Interest rate swaps | 101,248 | 30,700 | 42,458 | - | 169 | 44,522 | 77,702 | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - |
| e) Forwards | - | 18,149 | 35 | - | - | 67,860 | 26,950 | - |
| f) Futures | - | 462 | - | - | - | 55 | - | - |
| g) Other | - | - | - | - | - | - | - | - |
| **Total** | **101,248** | **50,191** | **52,198** | **-** | **169** | **113,472** | **118,074** | **-** |

## A.3 OVER-THE-COUNTER FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

| | Central counterparties | Banks | Other financial companies | Other |
|---|---|---|---|---|
| **Contracts not covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | X | 895 | 15,596 | 1,125,186 |
| - positive fair value | X | 206 | - | 3,184 |
| - negative fair value | X | - | 722 | 51,441 |
| **2) Equity securities and equity indices** | | | | |
| - notional value | X | - | 570 | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | X | 109,219 | - | 2,943 |
| - positive fair value | X | 5,492 | - | 25 |
| - negative fair value | X | - | - | 35 |
| **4) Commodities** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **5) Other assets** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **Contracts covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | 2,905,265 | 1,017,324 | 116,287 | 3,075 |
| - positive fair value | 105,444 | 16,090 | 12,617 | 17 |
| - negative fair value | 101,248 | 30,519 | 1,482 | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | - | 2,284 | - | - |
| - positive fair value | - | 82 | - | - |
| - negative fair value | - | 40 | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | - | 692,471 | 451,068 | - |
| - positive fair value | - | 29,460 | 3,709 | - |
| - negative fair value | - | 11,189 | 6,961 | - |
| **4) Commodities** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **5) Other assets** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |

### A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

| | Up to 1 year | More than 1 year and up to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| A.1 Financial derivatives on debt securities and interest rates | 1,716,767 | 1,671,377 | 1,795,483 | 5,183,628 |
| A.2 Financial derivatives on equity securities and equity indices | 2,284 | - | 570 | 2,854 |
| A.3 Financial derivatives on exchange rates and gold | 1,255,701 | - | - | 1,255,701 |
| A.4 Financial derivatives on commodities | - | - | - | - |
| A.5 Other financial derivatives | - | - | - | - |
| **Total 31/12/2023** | **2,974,752** | **1,671,377** | **1,796,053** | **6,442,182** |
| **Total 31/12/2022** | **16,423,008** | **(1,318,756)** | **518,376** | **15,622,627** |

## B. CREDIT DERIVATIVES

The section has not been completed because there were no such positions as of the reporting date.

## 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 fixed-rate, variable rate (CCTs) and euro inflation-linked government securities.

## C. HEDGING OF INVESTMENTS IN FOREIGN OPERATIONS

In 2022, 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 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.

## QUANTITATIVE DISCLOSURES

### A. FINANCIAL HEDGING DERIVATIVES

### A.1 FINANCIAL HEDGING DERIVATIVES: END-PERIOD NOTIONAL VALUES

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets |
| | Central counterparties | Without central counterparties | | | Central counterparties | Without central counterparties | | |
| | | Covered by netting arrangements | Not covered by netting arrangements | | | Covered by netting arrangements | Not covered by netting arrangements | |
| **1. Debt securities and interest rates** | **8,809,728** | **9,321,600** | **-** | **-** | **9,965,009** | **9,820,451** | **-** | **-** |
| a) Options | - | 218,820 | - | - | - | 231,887 | - | - |
| b) Swaps | 8,809,728 | 9,102,780 | - | - | 9,965,009 | 9,588,564 | - | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **2. Equity securities and equity indices** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forward | - | - | - | - | - | - | - | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **3. Foreign currencies and gold** | **-** | **92** | **30,505** | **-** | **-** | **1,838** | **34,453** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | 92 | 30,505 | - | - | 1,838 | 34,453 | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **8,809,728** | **9,321,692** | **30,505** | **-** | **9,965,009** | **9,822,289** | **34,453** | **-** |

## A.2 FINANCIAL HEDGING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

| | Positive and negative fair value | | | | | | | | Change in value used to calculate hedge effectiveness | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total 31/12/2023 | | | | Total 31/12/2022 | | | | | |
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets | Total 31/12/2023 | Total 31/12/2022 |
| | Central counterparties | Without central counterparties | | | Central counterparties | Without central counterparties | | | | |
| | | Covered by netting arrangements | Not covered by netting arrangements | | | Covered by netting arrangements | Not covered by netting arrangements | | | |
| **Positive fair value** | | | | | | | | | | |
| a) Options | - | 215 | - | - | - | 4,513 | - | - | - | - |
| b) Interest rate swaps | 879,404 | 147,277 | - | - | 1,617,839 | 268,751 | - | - | - | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - | - | - |
| e) Forwards | - | 1 | 456 | - | - | 39 | 850 | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - | - | - |
| **Total** | **879,404** | **147,494** | **456** | **-** | **1,617,839** | **273,302** | **850** | **-** | **-** | **-** |
| **Negative fair value** | | | | | | | | | | |
| a) Options | - | 4,112 | - | - | - | 5,030 | - | - | - | - |
| b) Interest rate swaps | 76,577 | 215,703 | - | - | 1,474 | 343,398 | - | - | - | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | 182 | - | - | - | 166 | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - | - | - |
| **Total** | **76,577** | **219,815** | **182** | **-** | **1,474** | **348,428** | **166** | **-** | **-** | **-** |

## A.3 OVER-THE-COUNTER FINANCIAL HEDGING DERIVATIVES: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

| | Central counterparties | Banks | Other financial companies | Other |
|---|---|---|---|---|
| **Contracts not covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | X | - | - | 30,505 |
| - positive fair value | X | - | - | 456 |
| - negative fair value | X | - | - | 182 |
| **4) Other assets** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **5) Other** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **Contracts covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | 8,809,728 | 8,490,619 | 830,982 | - |
| - positive fair value | 879,472 | 144,500 | 2,925 | - |
| - negative fair value | 76,577 | 174,399 | 45,415 | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | - | - | - | 92 |
| - positive fair value | - | - | - | 1 |
| - negative fair value | - | - | - | - |
| **4) Other assets** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **5) Other** | - | - | - | - |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |

### A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

| | up to 1 year | more than 1 year and up to 5 years | more than 5 years | Total |
|---|---|---|---|---|
| A.1 Financial derivatives on debt securities and interest rates | 8,533,963 | 4,107,441 | 5,489,924 | 18,131,329 |
| A.2 Financial derivatives on equity securities and equity indices | - | - | - | - |
| A.3 Financial derivatives on exchange rates and gold | 30,152 | 445 | - | 30,597 |
| A.4 Financial derivatives on commodities | - | - | - | - |
| A.5 Other financial derivatives | - | - | - | - |
| **Total 31/12/2023** | **8,564,115** | **4,107,886** | **5,489,924** | **18,161,926** |
| **Total 31/12/2022** | **3,755,606** | **7,837,680** | **8,228,465** | **19,821,751** |

### B. CREDIT HEDGING DERIVATIVES

The section has not been completed because there are no such positions.

### C. NON-DERIVATIVE HEDGING INSTRUMENTS

The section has not been completed because there are no such positions.

### D. HEDGED ITEMS

Although the Group has made use of the exception envisaged by IFRS 9, consisting in the possibility of continuing to apply the provisions governing hedging of IAS 39, the information on the hedged instruments required in this section is provided below.

## D.1 FAIR VALUE HEDGES

| | Micro hedges: carrying amount | Micro hedges | | Macro hedges: carrying amount |
|---|---|---|---|---|
| | | Cumulative value of fair value changes of the hedged instrument | Change in value used to calculate hedge ineffectiveness | |
| **A. ASSETS** | | | | |
| **1. Financial assets measured a fair value through other comprehensive income – hedges of:** | **437,813** | **5,374** | **-** | **8,385** |
| 1.1 Debt securities and interest rates | 437,813 | 5,374 | - | X |
| 1.2 Equity securities and equity indices | - | - | - | X |
| 1.3 Foreign currencies and gold | - | - | - | X |
| 1.4 Loans | - | - | - | X |
| 1.5 Other assets | - | - | - | X |
| **2. Financial assets measured at amortized cost – hedges of:** | **8,799,220** | **770,549** | **-** | **5,567,382** |
| 2.1 Debt securities and interest rates | 8,799,220 | 770,549 | - | X |
| 2.2 Equity securities and equity indices | - | - | - | X |
| 2.3 Foreign currencies and gold | - | - | - | X |
| 2.4 Loans | - | - | - | X |
| 2.5 Other assets | - | - | - | X |
| **Total 31/12/2023** | **9,237,033** | **775,923** | **-** | **5,575,768** |
| **Total 31/12/2022** | **9,371,585** | **1,558,461** | **-** | **5,575,783** |
| **B. LIABILITIES** | | | | |
| **1. Financial liabilities measured at amortized cost – hedges of:** | **1,106,213** | **17,755** | **-** | **12,498** |
| 1.1 Debt securities and interest rates | 1,106,213 | 17,755 | - | X |
| 1.2 Foreign currencies and gold | - | - | - | X |
| 1.3 Other assets | - | - | - | X |
| **Total 31/12/2023** | **1,106,213** | **17,755** | **-** | **12,498** |
| **Total 31/12/2022** | **83,767** | **8,444** | **-** | **10,675** |

### D.2 CASH FLOW HEDGES AND HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS

| | Change in value used to calculate hedge ineffectiveness | Hedge reserves |
|---|---|---|
| **A. CASH FLOW HEDGES** | | |
| 1. Assets | (41,081) | (14,123) |
| 1.1 Debt securities and interest rates | (41,081) | (14,125) |
| 1.2 Equity securities and equity indices | - | - |
| 1.3 Foreign currencies and gold | - | - |
| 1.4 Loans | - | 2 |
| 1.5 Other | - | - |
| 2. Liabilities | 376 | 365 |
| 2.1 Debt securities and interest rates | 376 | 365 |
| 2.2 Foreign currencies and gold | - | - |
| 2.3 Other | - | - |
| **Total A 31/12/2023** | **(40,705)** | **(13,759)** |
| **Total A 31/12/2022** | **1,680** | **(72,809)** |
| **B. HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS** | **X** | **-** |
| **Total A+B 31/12/2023** | **(40,705)** | **(13,759)** |
| **Total A+B 31/12/2022** | **1,680** | **(72,809)** |

## E. EFFECTS OF HEDGING TRANSACTIONS IN EQUITY

The section has not been completed because the Group has made use of the exception envisaged by IFRS 9, consisting in the possibility of continuing to apply the provisions governing hedging of IAS 39.

## 1.3.3 OTHER INFORMATION ON TRADING AND HEDGING DERIVATIVES

### A. FINANCIAL AND CREDIT DERIVATIVES

### A.1 OVER-THE-COUNTER FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE BY COUNTERPARTY

| | Central counterparties | Banks | Other financial companies | Other |
|---|---|---|---|---|
| | - | - | - | - |
| **A. Financial derivatives** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | - | 11,717,843 | - | - |
| - positive fair value | - | 862,342 | - | - |
| - negative fair value | - | 773 | - | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | - | - | - | 1,541 |
| - positive fair value | - | - | - | 27 |
| - negative fair value | - | - | - | - |
| **4) Commodities** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **5)Other** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **B. Credit derivatives** | | | | |
| **1) Purchases of protection** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **2) Sales of protection** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |

## 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, contingencies 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 and contingencies) 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 verify compliance with rules and procedures as well as internal and external regulations.

### 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 taken within the Contingency Funding & Recovery Plan and recovery actions provided for in the "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 Iccrea Cooperative Banking 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. For prudential purposes, the framework does not envisage offsetting effects deriving from the combination of the events considered.

## QUANTITATIVE DISCLOSURES

## 1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

### EURO

| | On demand | More than 1 day to 7 days | More than 7 days to 15 days | More than 15 days to 1 month | More than 1 month to 3 months | More than 3 months to 6 months | More than 6 months to 1 year | More than 1 year to 5 years | More than 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. On-balance-sheet assets** | **8,903,868** | **954,482** | **643,963** | **2,416,124** | **7,709,151** | **7,347,326** | **14,984,177** | **50,498,603** | **63,771,412** | **1,947,071** |
| A.1 Government securities | 4,350 | 2,539 | 300,076 | 237,187 | 2,735,880 | 2,626,027 | 7,295,932 | 19,122,555 | 23,329,498 | 1 |
| A.2 Other debt securities | 12,616 | 286 | 1,430 | 93,160 | 110,644 | 161,571 | 343,398 | 2,009,068 | 2,808,382 | 30 |
| A.3 Units in collective investment undertakings | 420,757 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 8,466,145 | 951,657 | 342,457 | 2,085,776 | 4,862,626 | 4,559,728 | 7,344,847 | 29,366,980 | 37,633,531 | 1,947,040 |
| - banks | 813,970 | 25,101 | - | 39,818 | 2,171 | 53 | 14,765 | 33,162 | 149 | 1,947,020 |
| - customers | 7,652,175 | 926,555 | 342,457 | 2,045,958 | 4,860,455 | 4,559,675 | 7,330,082 | 29,333,818 | 37,633,383 | 19 |
| **B. On-balance-sheet liabilities** | **103,563,130** | **10,106,966** | **1,346,048** | **583,223** | **1,738,568** | **3,037,611** | **19,953,299** | **9,738,551** | **2,546,812** | **-** |
| B.1 Deposits and current accounts | 102,843,426 | 46,950 | 70,533 | 236,098 | 573,130 | 917,998 | 1,589,812 | 1,425,610 | 3,948 | - |
| - banks | 978,696 | - | - | 5,056 | - | - | - | - | - | - |
| - customers | 101,864,730 | 46,950 | 70,533 | 231,042 | 573,130 | 917,998 | 1,589,812 | 1,425,610 | 3,948 | - |
| B.2 Debt securities | 40,926 | 33,913 | 56,770 | 198,758 | 567,032 | 886,132 | 1,598,748 | 7,558,301 | 1,403,035 | - |
| B.3 Other liabilities | 678,777 | 10,026,103 | 1,218,746 | 148,367 | 598,407 | 1,233,481 | 16,764,739 | 754,639 | 1,139,830 | - |
| **C. Off-balance-sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of principal | | | | | | | | | | |
| - long positions | 279 | 49,219 | 23,629 | 3,227 | 469,198 | 84,851 | 8,295 | 45,287 | 21,457 | - |
| - short positions | - | 57,634 | 39,340 | 1,172 | 473,029 | 85,769 | 5,919 | 6,125 | 93,699 | - |
| C.2 Financial derivatives without exchange of principal | | | | | | | | | | |
| - long positions | 1,857,212 | - | 1,926 | 2,556 | 54,214 | 64,383 | 111,975 | - | - | - |
| - short positions | 1,195,674 | - | - | 171 | 11,587 | 34,927 | 19,699 | - | - | - |
| C.3 Deposits and loans to receive | | | | | | | | | | |
| - long positions | - | 9,865,737 | - | 55,275 | - | 7,686,452 | 4,418,331 | 3,403,196 | - | - |
| - short positions | - | - | - | 158,053 | 1,635,968 | 12,976,891 | 6,058,898 | 4,599,181 | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - long positions | 144,128 | 920,442 | 7,078 | 63,679 | 60,656 | 89,116 | 106,625 | 349,495 | 796,398 | - |
| - short positions | 1,999,988 | 819,168 | 628 | 402 | 10 | 100,054 | 107,479 | 344 | 1,189 | - |
| C.5 Financial guarantees issued | 25,272 | - | 985 | - | - | - | - | 1,074 | 10,830 | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |

## OTHER CURRENCIES

| | On demand | More than 1 day to 7 days | More than 7 days to 15 days | More than 15 days to 1 month | More than 1 month to 3 months | More than 3 months to 6 months | More than 6 months to 1 year | More than 1 year to 5 years | More than 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. On-balance-sheet assets** | **78,153** | **1,806** | **1,516** | **9,622** | **31,087** | **9,850** | **14,425** | **34,544** | **8,079** | **-** |
| A.1 Government securities | - | - | 4 | - | 18 | 4,770 | 5,117 | 8,817 | 2,721 | - |
| A.2 Other debt securities | 2 | - | - | 6 | 372 | 359 | 5,082 | 7,310 | 68 | - |
| A.3 Units in collective investment undertakings | 207 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 77,944 | 1,806 | 1,513 | 9,617 | 30,698 | 4,720 | 4,226 | 18,417 | 5,290 | - |
| - banks | 73,530 | - | 256 | 148 | - | 1,110 | 1,966 | 12,618 | 118 | - |
| - customers | 4,413 | 1,806 | 1,256 | 9,469 | 30,698 | 3,610 | 2,260 | 5,800 | 5,172 | - |
| **B. On-balance-sheet liabilities** | **293,047** | **4,021** | **17,752** | **-** | **6,899** | **2,202** | **293** | **537** | **20** | **-** |
| B.1 Deposits and current accounts | 272,691 | 4,021 | 17,691 | - | 5,145 | 1,534 | 112 | - | - | - |
| - banks | 33,088 | 3,894 | 17,691 | - | - | - | - | - | - | - |
| - customers | 239,603 | 127 | - | - | 5,145 | 1,534 | 112 | - | - | - |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | 20,357 | - | 61 | - | 1,754 | 667 | 181 | 537 | 20 | - |
| **C. Off-balance-sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | 82,397 | 38,886 | 1,162 | 635,781 | 81,060 | 3,294 | 232 | 735 | - |
| - short positions | 271 | 68,617 | 2,818 | 3,163 | 608,767 | 71,800 | 8,152 | 843 | 888 | - |
| C.2 Financial derivatives without exchange of principal | | | | | | | | | | |
| - long positions | 402 | - | - | - | - | - | - | - | - | - |
| - short positions | 422 | - | - | - | - | - | - | - | - | - |
| C.3 Deposits and loans to receive | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |

## DISCLOSURES ON SELF-SECURITIZATIONS

The Group has implemented securitization transactions in which all the liabilities issued by the vehicle companies involved were underwritten by the Group's banks.

The following provides information on the self-securitization transactions carried out by the banks of the Group and still in place at the reference date of the financial year.

### CREDICO FINANCE 16 SECURITIZION

In 2016, a self-securitization was completed through which 16 mutual banks (of which 11 are members of the ICBG) sold an initial portfolio of performing residential mortgage loans equal to €660.8 million without recourse to the vehicle company Credico Finance 16 Srl The transaction involved the participation of Iccrea Banca as arranger.

The purchase of the portfolio by the SPV was financed through the issue of two categories of asset backed notes, broken down as follows:

- senior Class A notes amounting to €561.7 million, maturing in December 2056, listed on the Irish Stock Exchange;
- junior Class B notes amounting to €99.1 million, maturing in December 2056, unlisted and fully subscribed by the originator banks.

More specifically, the junior securities were divided into 16 series, each of an amount proportional to the amount of the loans respectively assigned by the individual participating banks. Each of the latter subscribed only the series of notes pertaining to their share, with payment of the relative price at par.

The following table reports the main characteristics of the ABSs subscribed by the banks of the Group at the reporting date.

| Type of security | Rating | Nominal value (€/million) |
|---|---|---|
| Class A - Senior | Moody's Aa3/DBRS AAA | 67.8 |
| Class B - Junior | no rating | 78.7 |

### CREDIPER CONSUMER SECURITIZATION

At the end of 2018, a self-securitization denominated "Crediper Consumo" was completed, in which BCC CreditoConsumo sold a portfolio of performing loans deriving from personal loan contracts with a total value of €650 million to the securitization vehicle Crediper Consumer Srl The transaction involved the participation of Iccrea Banca as arranger.

As part of the transaction, the SPV issued two classes of notes listed on the Irish Stock Exchange:

- €520 million of Class A notes, corresponding to 80% of the value of the loans sold, which have been assigned an investment grade rating of AA by DBRS Ratings Limited and AA- by Fitch;
- €140.5 million of Class B notes.

All the securities were subscribed by the originator and the Class A notes were used as underlying assets for refinancing operations with the European Central Bank.

### PONTORMO RMBS SECURITIZATION

In 2017, BCC di Pisa e Fornacette and another bank not belonging to the ICBG completed a self-securitization with the assignment of an initial portfolio of mortgage loans, which was restructured in 2019 with the sale of a second portfolio. The transaction involved the assignment of performing residential mortgage loans to the securitization vehicle Pontormo RMBS Srl in the total amount of €1.4 billion (of which €393.4 million assigned by BCC di Pisa e Fornacette).

The purchase of the loans by the SPV was financed through the issue of senior Class A notes in the total amount of €986.2 million and junior Class B notes in the amount of €166.4 million.

The following table reports the main characteristics of the ABSs subscribed by BCC di Pisa e Fornacette at the reporting date.

| Type of security | Rating | Nominal value (€/million) |
|---|---|---|
| Class A 2017 - Senior | Fitch AA/S&P AA | 49.8 |
| Class B 2017 - Junior | no rating | 54.1 |
| Class A 2019 - Senior | Fitch AA/S&P AA | 68.8 |
| Class B 2019 - Junior | no rating | 3.4 |

## 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 since 2018. The organizational model has been progressively refined 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.

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 & IT 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),[39] which provides for the application of a fixed percentage (15%) to the

[39] One affiliated bank adopts the Traditional Standardized Approach (TSA).

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 IT Risk Self-Assessment – IT-RA), which are currently adopted by all Group companies. In 2023, 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 information IT risk profile assessment was completed in April 2023, which involved the central IT unit for the IT services provided by Iccrea Banca, BCC Sinergia and BCC Sistemi Informatici.

In 2023, the development of the related application system continued in support of risk assessment processes. With specific regard to IT risk, the application component supporting IT-RA activities has been rolled out and is used to assess the IT risk profile of Iccrea Banca, BCC Sinergia, BCC Sistemi Informatici and affiliated banks

In addition, throughout 2023, 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 IT 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.

Third-level controls are performed by Internal Audit, which assesses the control system's overall appropriateness and efficiency, as well as its regular operation.

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, at the level of the individual legal entities, the main indicators of operational, reputational and IT risk, namely:

- maximum operational loss (a monitoring indicator measured at the consolidated level and for the affiliated banks);
- minimum acceptable level in respect of the findings of controls of individual relationships with regard to operational and IT risks (an indicator specified for the entire scope of application of the RAF);
- number and financial impact of significant incidents (measured at the consolidated level)

- number and financial impact of high and significant incidents (measures at the BCC Sistemi Informatici level).

### Monitoring and reporting

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. 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** |

## SECTION 3 - RISKS OF INSURANCE UNDERTAKINGS

No information to report.

## SECTION 4 - RISKS OF OTHER ENTITIES

The scale of the risks to which “Other entities” are exposed is not material. Accordingly, this section has not been prepared.

# 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 December 14, 2022, 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, 2023 (broken down into own funds requirements and qualitative requirements). With this decision, the supervisory authorities established consolidated own funds requirements for 2023:

- an additional Pillar 2 requirement (P2R) of 2.80% (of which 5 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 1.75%, which should consist entirely of Common Equity Tier 1 capital and held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2023 the Iccrea Cooperative Banking Group is therefore required to meet:

- a Total SREP Capital Requirement (TSCR) of 10.80%;
- an OCR equal to 13.30%;
- a Target Requirement (including P2G) of 15.05%.

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.

For more information on the outcome of the SREP decision concerning prudential requirements at the consolidated level with effect from January 1, 2024, please see Report on Operations.

## B. QUANTITATIVE DISCLOSURES

### B.1 CONSOLIDATED EQUITY: BREAKDOWN BY TYPE OF ENTITY

The table reports the components of shareholders' 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 | 2,290,202 | - | - | - | 2,290,202 |
| 2. Share premium reserve | 152,967 | - | - | - | 152,967 |
| 3. Reserves | 10,894,741 | - | - | - | 10,894,741 |
| 4. Equity instruments | 30,139 | - | - | - | 30,139 |
| 5. (Treasury shares) | (1,382,888) | - | - | - | (1,382,888) |
| 6. Valuation reserves: | 47,360 | - | - | - | 47,360 |
| - Equity securities designated as at fair value through other comprehensive income | 18,394 | - | - | - | 18,394 |
| - 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 | (125,072) | - | - | - | (125,072) |
| - Property, plant and equipment | - | - | - | - | - |
| - Intangible assets | - | - | - | - | - |
| - Hedging of investments in foreign operations | - | - | - | - | - |
| - Cash flow hedges | (14,282) | - | - | - | (14,282) |
| - Hedging instruments [undesignated elements] | - | - | - | - | - |
| - Foreign exchange differences | - | - | - | - | - |
| - Non-current assets held for sale | (49,729) | - | - | - | (49,729) |
| - Financial liabilities designated as at fair value through profit or loss (change in own credit rating) | - | - | - | - | - |
| - Actuarial gains (losses) on defined benefit plans | (39,149) | - | - | - | (39,149) |
| - Share of valuation reserves of equity investments accounted for using equity method | 1,190 | - | - | - | 1,190 |
| - Special revaluation laws | 256,008 | - | - | - | 256,008 |
| 7. Net profit (loss) for the period (+/-) | 1,856,369 | - | - | - | 1,856,369 |
| **Total** | **13,888,890** | **-** | **-** | **-** | **13,888,890** |

## B.2 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

| | Prudential consolidation | | Insurance undertakings | | Other entities | | Consolidation eliminations and adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 31,323 | 156,397 | - | - | - | - | - | - | 31,323 | 156,397 |
| 2. Equity securities | 29,024 | 10,630 | - | - | - | - | - | - | 29,024 | 10,630 |
| 3. Loans | - | - | - | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **60,347** | **167,027** | **-** | **-** | **-** | **-** | **-** | **-** | **60,347** | **167,027** |
| **Total 31/12/2022** | **35,236** | **306,805** | **-** | **-** | **-** | **-** | **-** | **-** | **35,236** | **306,805** |

## 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** | **(279,594)** | **8,025** | **-** |
| **2. Increases** | **175,671** | **15,922** | **-** |
| 2.1 Fair value gains | 125,945 | 13,866 | - |
| 2.2 Writedowns for credit risk | 1,920 | X | - |
| 2.3 Reversal to income statement of negative reserves: from realization | 46,595 | X | - |
| 2.4 Transfers to other components of shareholders’ equity (equity securities) | - | 335 | - |
| 2.5 Other changes | 1,211 | 1,721 | - |
| **3. Decreases** | **21,150** | **5,552** | **-** |
| 3.1 Fair value losses | 16,007 | 3,649 | - |
| 3.2 Writebacks for credit risk | 1,862 | - | - |
| 3.3 Reversal to income statement of positive reserves: from realization | 3,162 | X | - |
| 3.4 Transfers to other components of shareholders’ equity (equity securities) | - | 284 | - |
| 3.5 Other changes | 119 | 1,619 | - |
| **4. Closing balance** | **(125,073)** | **18,395** | **-** |

## B.4 VALUATION RESERVES FOR DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

Valuation reserves for defined-benefit plans were a negative €39.1 million at the end of 2023. The following table reports changes in the period as a result of changes in financial assumptions and the time value effect.

| | 31/12/2023 |
|---|---|
| **1. Opening balance** | **(35,310)** |
| **2. Increases** | **2,323** |
| 2.1 Actuarial gains from changes in financial assumptions | 37 |
| 2.2 Actuarial gains from changes in demographic assumptions | - |
| 2.3 Actuarial gains from experience adjustments | 1,803 |
| 2.4 Other increases | 484 |
| **3. Decreases** | **6,383** |
| 3.1 Actuarial losses from changes in financial assumptions | 5,631 |
| 3.2 Actuarial losses from changes in demographic assumptions | - |
| 3.3 Actuarial losses from experience adjustments | 302 |
| 3.4 Other decreases | 450 |
| **4. Tax effect** | 221 |
| **5. Closing balance** | **(39,149)** |

## 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 YEAR

### Acquisition of control of the BCC Vita and BCC Assicurazioni insurance companies

In 2009 Iccrea Banca and Cattolica Assicurazioni SpA had established a strategic bancassurance partnership through two companies operating in the non-life and life insurance sectors, BCC Assicurazioni SpA (non-life business) and BCC Vita SpA (life business).

In this context, on October 14, 2022 Iccrea Banca withdrew from the shareholders' agreement with Cattolica of July 29, 2019, as amended. Following the termination, on October 15, 2022 Cattolica (controlled by Generali SpA) exercised the option to sell the shares it held, representing 70% of the companies' share capital.

Later in October 2022, Iccrea Banca initiated a competitive procedure for the transfer of 51% of the share capital held in BCC Vita and BCC Assicurazioni for the purpose of developing a new strategic insurance partnership. The structure of the operation included:

- the repurchase from Generali SpA of 70% of the insurance companies by Iccrea Banca (the acquirer, pursuant to IFRS 3), which was finalized on September 27, 2023;
- the sale, in 2024, of 51% of the companies to a new insurance partner (identified respectively as BNP Paribas Cardif for BCC Vita and Assimoco SpA for BCC Assicurazioni), subject to the definition of a distribution partnership.

From an accounting point of view, the acquisition of control over the companies by Iccrea Banca qualifies as a business combination achieved in stages, pursuant to IFRS 3 paragraphs 41-42A, as Iccrea Banca already held a 30% stake in those entities immediately before the acquisition of control.

Under paragraph 42 of IFRS 3, this circumstance (the previous holding of the equity interest) required the acquirer (Iccrea Banca) to remeasure the interest previously held at its acquisition-date fair value, with recognition of the resulting gain in profit or loss.

The consideration for the transaction (the cost of the acquisition, pursuant to IFRS 3) was equal to the fair value at the reference date of the equity interest already held plus the fair value of the additional consideration paid by Iccrea Banca for the acquisition of control.

The acquisition of control of the companies prompted the need to allocate the purchase price to the fair value of the assets and liabilities acquired. The determination of the overall goodwill/badwill in the consolidated financial statements at the date of acquisition of control is equal to the difference between the sum of the fair value of the consideration paid and the pre-existing equity interest and the equity of the acquired company expressed at fair value, namely:

Goodwill/Badwill = (FV of the consideration paid + FV of the previous investment) - FV of net assets acquired

Bearing in mind that the value of the net assets recognized in the financial statements of the companies is an expression of their respective fair values, the difference mentioned above was recognized entirely in goodwill for BCC Vita (€20.3 million) and in profit or loss for BCC Assicurazioni (badwill of €1 million).

As mentioned above, the equity interest in the companies was acquired exclusively with the aim of subsequently transferring control. This circumstance is confirmed by the fact that the conditions set out in IFRS 5, paragraph 7,[40] were already satisfied at the time of acquisition of control. From the perspective of the consolidated financial statements, there are no specific exemptions from the consolidation of subsidiaries acquired exclusively with a view to subsequent resale. Iccrea Banca has applied the full consolidation approach for individual assets and liabilities, which involves the determination of the fair value of the acquired business and the subsequent presentation of the discontinued group in its entirety at the lower of its carrying amount and the fair value less costs to sell. Upon acquisition of control of the companies, it was not necessary to allocate any impairment loss to on the assets constituting the group being divested. The assets of the companies being sold are reported under item 120 of assets (non-current assets and disposal groups held for sale) and the related liabilities under item 70 of liabilities (liabilities associated with assets being sold).

[40] A group held for sale of acquired exclusively for the purpose of its subsequent sale can be classified as held for sale at the acquisition date if: i) the sale is expected to qualify for recognition as a completed sale within one year from the date of classification; ii) it is highly probable that any other criteria envisaged by IFRS 5 (i.e. that the disposal group is available for immediate sale in its present condition, that management is committed to a program to sell the asset (or disposal group), that the disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value) that are not met at that date will be met within a short period following the acquisition.

### Other transactions carried out during the year

For corporate reorganization purposes, the following mergers of mutual banks were carried out that did not involve the acquisition of control pursuant to IFRS 3 and therefore had no impact on the consolidated financial statements. In compliance with the accounting practices for such transactions, these operations were accounted for on an unchanged values basis and regarded:

- the merger of BCC Taranto e Massafra into BCC Bari, leading to the creation of BCC di Bari e Taranto S.C., with effect from April 1, 2023;
- the merger of Banca 2021 Credito Cooperativo del Cilento, Vallo di Diano e Lucania into BCC Buccino e dei Comuni Cilentani, leading to the creation of BCC Magna Grecia S.C, with effect from October 1, 2023.

## SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

With regard to transactions after the close of the financial year:

- in August 2023, the ECB authorized the merger of Banca Patavina Credito Cooperativo di Sant'Elena e Piove di Sacco SC into BCC di Verona e Vicenza - credito Cooperativo, leading to the creation of BCC Veneta - Credito Cooperativo - Società cooperativa, with effect from January 1, 2024;
- in January 2024 la 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.

## 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 2023 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.

| | Total | | | | |
|---|---|---|---|---|---|
| | 31/12/2023 | | | | |
| | Short term benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments |
| Key management personnel | 9,146 | 242 | - | - | - |

## 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 Iccrea Cooperative Banking 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 2023 with the related parties of the Group other than fully consolidated intercompany transactions.

| | Total | | | |
|---|---|---|---|---|
| | 31/12/2023 | | | |
| | Unconsolidated subsidiaries | Associated companies | Key management personnel | Other related parties |
| **Financial assets** | 218,239 | 306,187 | 1,120 | 4,042 |
| Total other assets | 176 | 10,328 | - | 37 |
| Financial liabilities | 8,397 | 223,926 | 1,692 | 8,502 |
| Total other liabilities | 165 | 103 | - | 640 |
| Commitments and financial guarantees issued | 1,623 | 36,117 | 71 | 946 |
| Commitments and financial guarantees received | - | - | 840 | 5,402 |
| Provisions for doubtful accounts | - | 6,702 | - | - |

| | Total 31/12/2023 | | | |
|---|---|---|---|---|
| | **Unconsolidated subsidiaries** | **Associated companies** | **Key management personnel** | **Other related parties** |
| Interest income | 3,815 | 114 | 54 | 225 |
| Interest expense | (205) | (3,481) | (28) | (74) |
| Dividends | - | - | - | - |
| Fee and commission income | 273 | 314,947 | 11 | 36 |
| Fee and commission expense | (430) | (215,997) | | - |
| Net gain (loss) on trading activities | 1 | - | - | - |
| Net gain (loss) on hedging activities | - | - | - | - |
| Other operating expenses/income | (1,454) | 25,578 | (208) | (3,073) |
| Writedowns/writebacks of impaired financial assets | (17) | (372) | - | (2) |

# 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), the traditional banking activities of Banca Sviluppo and the bancassurance activities of BCC Servizi Assicurativi, BCC Vita and BCC Assicurazioni;
- 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 | 115,524 | 114,822 | 71,027 | 3,806,462 | (12,902) | 4,094,933 |
| Net fee and commission income | 10,139 | 64,772 | 65,305 | 1,250,438 | (42,464) | 1,348,189 |
| Other financial expense and income | 3,448 | 427,461 | 937 | (275,033) | (10,202) | 146,611 |
| **Gross income** | **129,110** | **607,055** | **137,269** | **4,781,867** | **(65,567)** | **5,589,733** |
| Net value adjustments | 26,919 | (25,869) | 341 | (408,907) | (2) | (407,518) |
| **Net gains (losses) on financial operations** | **156,028** | **581,185** | **137,611** | **4,372,960** | **(65,570)** | **5,182,214** |
| Operating expenses | (59,426) | (246,257) | (59,375) | (2,686,204) | (44,217) | (3,095,479) |
| Other costs and revenues | 79 | 8,385 | 491 | (13,865) | 12,628 | 7,719 |
| **Profit/(loss) from continuing operations before tax** | **96,682** | **343,313** | **78,726** | **1,672,891** | **(97,158)** | **2,094,454** |
| Income tax for the period on continuing operations | (32,601) | 3,072 | (25,256) | (281,376) | 1,647 | (334,514) |
| **Profit/(loss) for the period** | **64,081** | **346,385** | **53,470** | **1,391,515** | **(95,511)** | **1,759,940** |
| **Profit (loss) after tax on continuing operations** | | 80,426 | 18,506 | | (1,266) | 97,666 |
| Profit (loss) after tax on discontinued operations | **64,081** | **426,812** | **71,976** | **1,391,515** | **(96,777)** | **1,857,607** |
| **Profit/(loss) for the period pertaining to non-controlling interests** | **-** | **1,237** | **-** | **-** | **-** | **1,237** |
| **Profit/(loss) for the period pertaining to shareholders of the Parent Company** | **64,081** | **425,574** | **71,976** | **1,391,515** | **(96,777)** | **1,856,369** |

### A.2 DISTRIBUTION BY BUSINESS SEGMENT: BALANCE SHEET

| | CORPORATE | INSTITUTIONAL | RETAIL | MUTUAL BANKS | INTER-SEGMENT TRANSACTIONS | TOTAL |
|---|---|---|---|---|---|---|
| Financial assets | 373,273 | 14,912,129 | 57,940 | 51,769,685 | (5,036,002) | 62,077,026 |
| Due from banks | 73,904 | 28,276,828 | 2,613 | 8,930,344 | (34,627,468) | 2,656,221 |
| Loans to customers | 4,916,505 | 7,440,053 | 1,538,582 | 79,668,263 | (2,677,145) | 90,886,258 |
| Funding from banks | 4,502,029 | 34,694,385 | 1,559,443 | 23,523,285 | (46,356,462) | 17,922,680 |
| Funding from customers | 337,459 | 14,933,672 | 727 | 107,355,522 | (104,461) | 122,522,919 |
| Securities and other financial liabilities | 60,438 | 6,589,540 | 2,497 | 9,634,816 | (3,604,849) | 12,682,441 |

## 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 2,911 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.

The details of the depreciation charges recognized in through profit or loss for the year are shown below, broken down by category of leased assets.

| Depreciation | 31/12/2023 | 31/12/2022 |
|---|---|---|
| a) buildings | 49,953 | 47,830 |
| b) electronic systems | 6,576 | 7,000 |
| c) cars | 3,812 | 3,929 |
| d) other | 135 | 49 |
| **Total** | **60,476** | **58,808** |

## 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 year 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 year;
- 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 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| | Payment to be received for leases | Payment to be received for leases |
| Up to 1 year | 842,579 | 845,301 |
| From more than 1 year up to 2 years | 697,525 | 693,882 |
| From more than 2 years up to 3 years | 569,169 | 562,605 |
| From more than 3 years up to 4 years | 432,035 | 438,404 |
| From more than 4 years up to 5 years | 305,565 | 311,844 |
| From more than 5 years | 836,776 | 1,370,736 |
| **Total payments to be received for leases** | **3,683,649** | **4,222,774** |
| **Reconciliation with financing** | **1,017,078** | **1,060,274** |
| Financial income not accrued (-) | 435,441 | 434,034 |
| Unguaranteed residual value (-) | 581,637 | 626,240 |
| **Lease financing** | **2,666,570** | **3,162,499** |

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 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| | Payment to be received for leases | Payment to be received for leases |
| Up to 1 year | 3,723 | 2,317 |
| From more than 1 year up to 2 years | 2,872 | 1,901 |
| From more than 2 years up to 3 years | 2,478 | 1,610 |
| From more than 3 years up to 4 years | 1,915 | 1,155 |
| From more than 4 years up to 5 years | 1,098 | 1,054 |
| From more than 5 years | 1,476 | 1,224 |
| **Total** | **13,562** | **9,261** |

### 3.2 OTHER INFORMATION

No other information to report.

# REPORT OF THE BOARD OF AUDITORS

# REPORT OF THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE

## REPORT OF THE BOARD OF AUDITORS

## TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PRAGRAPH 2, OF THE CIVIL CODE

Dear Shareholders,

In the year ended December 31, 2023, the Board of Auditors of Iccrea Banca S.p.A. performed its oversight duties in accordance with the Italian Civil Code, Legislative Decree 385/1993 (the Consolidated Banking Act) and Legislative Decree 39/2010 as amended, the provisions of the Articles of Association, the regulations issued by the supervisory authorities, and the rules of conduct for the Boards of Auditors of unlisted companies issued by the National Council of the Italian accounting profession, as applicable.

### Appointment and activity of the Board of Auditors

The current Board of Auditors was appointed by the Iccrea Banca S.p.A. Shareholders' Meeting on June 16, 2022 for a term ending on the date of the meeting called to approve the financial statements for the year ended December 31, 2024. The Bank's Board of Auditors is also charged with performing the role of Supervisory Body pursuant to the provisions of Legislative Decree 231 of June 8, 2001, on the basis of the instructions contained in Bank of Italy Circular no. 285 of December 17, 2013, as amended.

During 2023, the Board of Auditors (or at least one of its members) participated in the 23 meetings of the Board of Directors, the 19 meetings of the Executive Committee and the 118 meetings of the Board Committees, for a total of 160 meetings. During the year, the Board of Auditors met independently 44 times to perform the additional oversight duties pertaining to it and 21 times in its capacity as the 231/01 Supervisory Body.

### The activities of the Bank and the Iccrea Cooperative Banking Group in 2023

The Report on Operations prepared by the directors provides extensive information on developments in the operations of the Parent Company and the Iccrea Cooperative Banking Group, on key operational events during 2023, on the structural and operational characteristics of the ICBG, on the internal control system, on the prudential regulatory framework and on the main processes performed in this area and on events subsequent to the reporting date.

At the end of March 2022 the Board of Directors approved the 2024-2026 Strategic Plan, which specifies the performance and financial objectives that the ICBG intends to attain over the planning period in order to continue to improve its positioning with respect to market benchmarks, setting more ambitious objectives for the main ratios. The 2024-2026 Strategic Plan incorporates the various sector plans (commercial, NPE strategy, ICT, funding, sustainability/ESG.) developed during the planning process and was built on the basis of methodological uniformity and integration with the other tools and processes that are also a constituent part of prudential supervision arrangements, such as the Recovery Plan, the Resolution Plan and MREL requirements, the RAS/RAF and the ICAAP/ILAAP.

As part of the progressive implementation of the "transformation" program involving the direct subsidiaries of Iccrea Banca S.p.A., which is intended to rationalize their structures and strengthen their commercial and income potential, the Report on Operations discusses a number of key events in 2023, including:

- the continuation of the reorganization of BCC Financing (formerly Banca Mediocredito del Friuli-Venezia Giulia), with the completion on March 1, 2023, of the transfer of the business unit relating to the FRIE secretariat and SME Development secretariat activities performed on behalf of the Autonomous Region of Friuli Venezia Giulia, to FVG Plus S.p.A., a newly formed company owned by the Autonomous Region of Friuli Venezia Giulia;
- the adoption during the first half of 2023, in line with the broader communication and repositioning strategy for some of the Group's businesses, of the new visual identity and naming, with the modification of the corporate name of Iccrea BancaImpresa to BCC Leasing, that of BCC Lease to BCC Rent&Lease and that of Banca Mediocredito del Friuli-Venezia Giulia to BCC Financing;
- the reorganization of the bancassurance segment, with the continuation of the process of acquiring stakes in certain key local agencies. Furthermore, in the wake of changes in the market context and the consequent selection of new insurance partnerships, the structure of the Group's equity interests has been redefined. More specifically, on October 30, 2023, BCC Servizi Assicurativi distributed about €259 million to Iccrea Banca as partial repayment of the share premium reserve deriving from the subscription, by Iccrea Banca, of the capital increase of about €265 million conducted by BCC Servizi Assicurativi and subscribed on September 19, 2022. Following the expiry of the insurance partnership with Società Cattolica di Assicurazioni S.p.A. (now Generali Italia S.p.A.) on December 31, 2022, in compliance with the provisions of existing partnership agreements, Iccrea Banca initiated the process, including requesting authorization from the supervisory authorities, for the repurchase of 70% of the shares of BCC Vita and BCC Assicurazioni held by Generali Italia S.p.A., which concluded with the transfer on September 27, 2023. Following the selection process for new insurance partnerships, on September 14, 2023, the Parent Company signed a partnership agreement for non-life business with Assimoco and on November 25, 2023, signed a partnership agreement for life business with BNP Paribas Cardif SA. For the Group, the new partnerships and the reorganization of the bancassurance segment will make it possible to strengthen and standardize the offer of the affiliated mutual banks in the bancassurance segment, ensuring the continuity of the efforts of BCC

Servizi Assicurativi, BCC Vita and BCC Assicurazioni in promoting insurance services and products and to enhance synergies in the asset management segment. In this regard, Iccrea Banca has begun 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;

- the continuation of the reorganization of the e-money segment: in October 2023 BCC Sinergia accepted a binding offer from BCC Pay for the transfer of its e-money operations, i.e. the production and customization of payment cards and management of POS terminals (activities strictly connected with the commercial and operational activities of BCC Pay). The transfer is expected to close in the first half of 2024 after completion of the authorization process. In addition, in August 2023, Iccrea Banca, Intesa Sanpaolo S.p.A., Banco BPM S.p.A., BPER S.p.A., BANCOMAT S.p.A. and FSI SGR S.p.A. signed a binding agreement for the entry of FSI SGR S.p.A. in the share capital of BANCOMAT S.p.A. After completion of the authorization process, the transaction provides for FSI SGR S.p.A. to invest up to €100 million in BANCOMAT S.p.A. through a restricted capital increase in return for a qualified minority shareholding. Upon completion of the operation, expected in the first half of 2024, FSI SGR S.p.A. will be the relative majority shareholder alongside the current shareholder banks. The aim of the project is to support BANCOMAT S.p.A. in strengthening its role in providing a key payment infrastructure in Italy. On July 14, 2023, Iccrea Banca, Banco BPM S.p.A. and FSI SGR S.p.A. signed a binding agreement for a partnership to develop an independent Italian operator, based on BCC Pay, in the e-money sector, specifically digital payments (issuing and acquiring) with major expected synergies. Upon completion of the process, including receipt of authorization from the supervisory authorities, which is expected during 2024, the agreement envisages the transfer of Banco BPM S.p.A.'s digital payments operations (issuing and acquiring) to BCC Pay and the signing of a long-term contract for the distribution of the latter's products and services, including through the branch network of Banco BPM S.p.A. The transaction has an overall value of up to €600 million. Upon completion of the operation, Pay Holding will be owned by FSI SGR S.p.A. with a stake of about 43%, while Iccrea Banca and Banco BPM S.p.A. will hold about 28.6% each. BCC Pay will receive a new visual identity and naming;
- the continuation of the reorganization of the Group's Operations segment, namely: i) as from January 1, 2023 the merger between BCC Sinergia and BCC Solutions took effect, with the establishment of BCC Sinergia S.p.A. The operation is part of the broader efficiency-enhancing strategy of the Group and is specifically aimed at bringing out the synergies and economies of scale deriving from the complementarity of the operations of the two companies, which are both already active in the Operations segment serving the other companies within the direct scope and the affiliated banks; ii) as from October 1, 2023 the transfer of the Lucrezia Romana property from BCC Sinergia to Iccrea Banca took effect. The objective of the initiative is to reorganize and reallocate assets and activities between the two companies, enabling Iccrea Banca to control an asset instrumental to the performance of its activities and in which its registered office is already established and BCC Sinergia to specialize more effectively in the provision of services; iii) the transfer of the back-office unit from Banca di Credito Cooperativo Mediocrati to BCC Sinergia took effect from November 1, 2023. Taking account of the benefits already achieved, the objective for the coming years is to continue the process of centralizing back-office operations; and iv) on December 1, 2023, Iccrea Banca and Allfunds Group plc, one of the world's leading B2B WealthTech platforms in the funds industry, signed a partnership agreement under which Allfunds acquired the correspondent bank and agent bank operations of Iccrea Banca, also signing a long-term service agreement. More specifically, the services comprise all the back-office activities supporting BCC Risparmio & Previdenza and the affiliated banks in placement activities for Italian and foreign funds. The agreement is part of the Group's strategy to support development projects in the post-trading services area, with important expected synergies in terms of improved service levels;
- the repurchase of 0.74% of the share capital of Banca Sviluppo for a total of about €900 thousand, following which Iccrea holds 100% of Banca Sviluppo. At the same time, on December 16, 2023, Banca Sviluppo proceeded with the transfer to BCC di Roma, pursuant to and for the purposes of Article 58 of Legislative Decree 385/1993, of legal relationships identifiable en bloc deriving from contractual relationships of a banking and financial nature. From this perspective, the possible corporate evolution scenarios of Banca Sviluppo are currently being evaluated

With regard to the insurance company Eurovita S.p.A., which was placed under external administration by the supervisory authorities at the beginning of 2023 by the Ministry of Enterprise and Made in Italy at the instigation of the supervisory authorities, with the collaboration of the Oversight Committee and the Special Administrator of Eurovita, on September 27, 2023, an agreement was reached between the 25 banks/banking groups distributing the policies, 5 leading insurance companies operating in Italy (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI) and a number of leading Italian banks on an operation at market conditions designed to protect Eurovita policy holders. In this context, Iccrea Banca, as the Group Parent Company and on behalf of the 39 affiliated banks that have distributed former Eurovita policies with about €1 billion in technical reserves, of which approximately €0.6 billion relating to Class I and Class V products, elected to participate in the agreement, providing Cronos Vita Assicurazione S.p.A. with a credit line on market terms, and in parallel signed multiple funding agreements with the affiliated banks involved.

## Internal control and risk management system

The structure and main components of the ICBG internal control system are based on the structure envisaged in supervisory regulations calling for three levels of control:

- first-level controls, performed by the corporate units responsible for the business/operating activities;

- second-level controls, performed by the Compliance (including the DPO), AML (Anti-Money Laundering) and Risk Management units;
- third-level controls, performed by Internal Audit.

The Report on Operations provides a description of the organizational arrangements adopted by the second- and third-level control functions, consistent with the specific characteristics of the ICBG and aimed at ensuring effective coverage of control activities both at the Parent Company and its direct subsidiaries and at the affiliated mutual banks. The organizational model of the control functions, which have been outsourced by the ICBG companies to the Parent Company, gives the Parent Company responsibility for the definition of strategies, processes and control methodologies, tools, and planning and reporting standards.

The Board of Auditors regularly exchanged information with the control functions during the year, including through direct participation in the meetings of the Board Committees and the Board of Directors and through receipt of information flows generated by those units for the corporate bodies (and the Supervisory Body), governed by specific rules, as well as in specific meetings with those units.

*The Parent Company, Iccrea Banca*

With regard to the Parent Company, Iccrea Banca, the results of the monitoring and assessment activities of the control functions found, in brief:

- for Compliance, an average “medium-low” exposure to residual compliance risk, as assessed on the basis of the potential risks and the existing control arrangements in relation to the individual regulations governing this area. The assessment of compliance of regulatory arrangements and processes under the 2023 audit plan, while exclusively positive, nevertheless found a number of specific regulatory areas requiring improvement;
- for AML, the self-assessment exercise – conducted on the basis of the method recommended in supervisory regulations and applied by the function – found a “low” residual risk. The activities conducted by the Anti-Money Laundering function over the course of the year produced a final overall assessment of “partially satisfactory”;
- for Risk Management, the continuous and structured management and reporting of the risks included within the function’s scope of responsibility, with periodic quantitative and qualitative reporting at a variety of frequencies, did not reveal any significant issues concerning the main risk exposures (credit, liquidity, market, interest rate);
- for Internal Audit, the 2023 Audit Plan envisaged numerous audits in the different areas of “governance”, “market” and “support” in which the taxonomy of Group processes is structured. The audit findings were largely favorable, although certain areas for improvement in all three macro-areas analyzed remain.

The Board of Auditors analyzed the findings of the assessments conducted for Iccrea Banca S.p.A. by the control functions, which had produced unsatisfactory judgments in the past concerning certain organizational aspects of control arrangements or compliance issues regarding procedural systems, such as regulatory compliance, and verified the resolution of the irregularities and monitored the implementation of the related intervention plans, encouraging the directors and management to perform the remedial actions requested where necessary.

*The Cooperative Banking Group*

With regard to the larger population of the mutual banks and the companies within the direct scope, the findings of the oversight activity of the control functions in the various areas for which they are responsible were generally positive, with limited instances of non-compliance with external, regulatory or Group regulations. In these situations, it is the prerogative of the control functions to assess the need to activate the specific indicators of the early warning classification system (EWS) for the affiliated banks, leading to a change in their status, with a consequent reduction in the degree of management independence of the individual bank and the issue of binding instructions.

With regard to the Compliance function, the methods adopted and the results acquired from the individual affiliated banks and the companies within the direct scope, and the preliminary documentation for the 2023 Plan indicated that the Group’s average exposure to compliance risk was “medium-low”. The control measures adopted are, as a whole, adequate and effective in proportion to the different risk exposures of the regulatory areas applicable to the Group, while highlighting the need to make certain adjustments to the regulatory and IT system to ensure continued compliance with the changes in the applicable regulations and developments within the Group. The findings of the system and operational audits performed during the year were largely positive. That documentation indicates that the 100% of the Audit Plan was completed, with 736 audits equally distributed among the four quarters. Of these, only 17 audit actions issued negative findings.

In compliance with the Group’s annual plan for 2023, the Data Protection Officer (DPO) function performed its planned advisory and support activities, as well as conducting a new cycle of system and operational audits for all the companies within the direct scope and the affiliated banks, as well as BCC Pay, BDD Vita and BCC Assicurazione. At the time of preparation of this Report, the audit activities have found the situation to be positive while identifying certain areas for improvements, which were accompanied by a remedial action plan. Following the activities and audits performed, the ICBG DPO found that the organizational arrangements required by the regulations had been correctly implemented at the ICBG level. At present, the consolidated annual report of the DPO is being formalized. Following the reporting activity submitted, in March-April 2024, to all the Boards of Directors of the companies indicated above, it will be discussed with the members of the Risk Committee and the Board of Directors of the Parent Company in May this year.

With regard to the assessment of AML arrangements and the activity of the second-level function responsible for this area, in 2023 work continued on strengthening both the general and specific controls that can be activated in response to the different situations of the individual entities and applicable regulations. Work also continued on the planned evolution of IT applications to support AML processes and the training of members of the AML function and bank operators. On the basis of the audits performed during the year at each legal entity to ensure compliance with the applicable regulatory framework governing anti-money laundering operations, the final summary assessment (equal to the average of the summary assessments provided by each affiliated mutual bank and the companies within the direct scope) as at December 31, 2023 was “partially satisfactory”, with three affiliated banks receiving an unfavorable evaluation (“partially unsatisfactory”). The Report of the AML function highlighted a number of critical areas in specific areas for a limited number of affiliated mutual banks. With regard to the self-assessment exercise performed at the Group level, on the basis of the methodology set out in the applicable regulatory standards and following the self-assessment of money laundering and terrorist financing risks conducted by each entity, it was determined that the Group’s residual risk at the consolidated level was “low”, unchanged on the previous year.

The activity of the Risk Management function was especially intense. During 2023, the evolutionary activities concerning the Group’s main Risk Governance frameworks were completed, both with regard to the methodological component and the supporting application platforms, while the process of integrating climate and environmental risks into the Risk Management framework continued even further. Furthermore, important ordinary activities were carried out for the Group planning process and activities connected with issuing the opinions for transactions of greater importance (TGI). The function was also engaged in the maintenance of the methodological framework for the Group’s risk governance processes (RAF/RAS, ICAAP and ILAAP, EWS) and in managing those processes and producing final outputs, in agreement and collaboration with the company functions responsible for the risk areas examined.

The activity performed in 2023 by the Internal Audit function with the affiliated banks saw the execution of over 1,332 audits, with total coverage of the 2023 Audit Plan and the performance of a further 98 extraordinary audits. As usual, the audits concerned governance, business and support processes (the latter area also including the ICT component) of the banks and their distribution network. With regard to the composition of the process audits, the Plan dedicated a significant portion to meeting “mandatory” needs, which were accompanied by “consolidated” audits (with an identical “scope of work” for different ICBG entities) and mainly “risk-based” assessments. Unfavorable outcomes of the audit activity were few.

With regard to the issues found, the associated corrective actions to resolve the problems identified were addressed.

At present, the consolidated annual report of the Internal Audit Function is being formalized. It will be discussed with the members of the Risk Committee and the Board of Directors of the Parent Company in May this year.

In accordance with applicable supervisory regulation, the Internal Audit function produced the Unified Group Report on essential or important functions outsourced outside the Group for 2023. First, the Report acknowledges the additional consolidation of the internal control arrangements put in place to monitor the risks associated with managing outsourcing at the Group level. On the basis of the audits carried out during 2023, the Report does not identify any significant critical areas regarding the control and compliance of relations with suppliers of essential or important functions, but only areas for improvement.

### Oversight of the adequacy of the organizational structure

As part of the oversight of the organizational and functional adequacy of governance and business areas, the Board of Auditors - during the meetings of the Risk Committee and the Board of Directors – was able to ascertain the progressive updating and supplementation of the Risk Governance Policies, the Rules, the General Process Rules relating both to the internal processes of the Parent Company and the main operating processes of the affiliated banks and the companies within the direct scope of consolidation, in line with the ICBG objective to maintain the Group’s rule set, with particular regard to the identification, measurement, management and control of risks. Other sources included operational communications and circulars addressing more specialized issues, which are transmitted on an ongoing basis to the affiliated banks and the ICBG companies.

As regards the performance of specific studies and assessments of the appropriateness of organizational structures, the Board of Auditors - in compliance with supervisory instructions – continued in 2023 to monitor the corporate control functions with regard to the consolidation of organizational and methodological arrangements, with a focus on the staffing of the units, on the development of methods, operating rules and control instruments, audit support systems and on the training of personnel and managers. Activity planning for 2024 provides for the coverage of modest resource shortfalls where they should emerge in specific organizational analyses.

As regards to the second and third-level control functions in general, the Board of Auditors monitored achievement of the specified targets following an analysis of associated staffing requirements, taking account of the structural complexity of the ICBG and its governance mechanisms, and the ever greater legislative and regulatory pressure, which make it necessary both to periodically reassess staffing requirements to ensure the complete and timely fulfillment of the institutional duties of the functions.

The Board of Auditors examined the action plans for 2024 submitted by the control functions for the ICBG and approved by the Board of Directors of the Parent Company. These plans – implemented using criteria that consider external regulatory constraints, risk-based logic and the need to cover business processes – will require a significant effort over and above ordinary levels of commitment, which will be audited in 2024.

With regard to the adequacy of the organizational structure of the Parent Company, Iccrea Banca S.p.A., the Board of Auditors - with the support of the Chief Operating Officer's unit - periodically conducts an analysis of the reorganization measures in progress in order to produce a general assessment of the adequacy of the solutions adopted or proposed, especially in relation to the demanding guidance and coordination duties of the Parent Company. In this respect, the provision of guidance and support to the numerous affiliated banks requires a constant effort on the part of the units of the Parent Company (whether operational or control functions), calling for periodic assessments and monitoring of adequacy and effectiveness. In 2023, targeted interventions to rationalize and strengthen the governance of the Parent Company were implemented and additional actions were planned for 2024, an especially important step in view of the role played in the direction and coordination of the affiliated banks and the companies within the direct consolidation scope.

## Corporate governance

The governance mechanisms of Iccrea Banca and the ICBG, as delineated by the Group's body of rules, contain significant special features and complexities deriving from the legal-formal structure of the ICBG, from the choices concerning the design of governance arrangements laid out in special legislation and supervisory regulations, from the special functions carried out by the Parent Company in performance of its mission of providing management and coordination guidance for the affiliated banks and from the sheer number of banks involved. The Board of Auditors participated closely in the activity of the corporate bodies of the Parent Company, consisting of the body with strategic supervision and management functions (the Board of Directors), the Executive Committee, and the five Board Committees (the Appointments Committee, the Remuneration Committee, the Risk Committee, the Affiliated Bank Control and Intervention Committee and the ESG Committee) providing advice, preliminary assessments and recommendations to the Board of Directors.

In 2023 efficiency enhancement measures for governance processes were continued in order to render the governance "machine" more effective and improve the operating conditions of the strategic oversight and management body in view of the ever growing complexity of the issues it is called upon to analyze and decide upon.

Where necessary, the Board of Auditors reports to the Board of Directors on the main activities carried out and the consequent recommendations. Thanks to its participation in the meetings of the corporate bodies, the Board received the information flows provided for by the corporate rules.

The Board of Auditors conducted its own self-assessment of the adequacy of its membership and the proper and effective functioning of the body (drawing on the assistance of an external advisor), in accordance with the supervisory instructions on corporate governance for banks and with the recommendations in the document "Self-assessment of the Board of Auditors" issued by the National Council of the Italian accounting profession. The Board of Auditors found that its membership was generally appropriate in terms of competence, experience and gender diversity. However, organizational and operational aspects, as well as approaches to the performance of its oversight, that could benefit from remedial actions were identified.

During the year, the members of the Board of Auditors participated in the Board of Directors training program, expressing its intention to supplement this activity, including on an individual basis, with targeted training in the key issues for the performance of its oversight duties.

*The Parent Company's Management and Coordination Activities*

Given that the Parent Company performs management and coordination activities for the affiliated banks on the basis of a Cohesion Contract that ensures the existence of a situation of control, as defined by the international accounting standards adopted by the European Union, pursuant to Article 37-bis of Legislative Decree 385/1993, the Board of Auditors continued to monitor issues associated with the management and coordination activities of the Parent Company. In particular, the Board oversaw the various initiatives launched or implemented by the Board of Directors in this area.

In view of the fact that Group policies establish the principles, general rules and operating and functioning model governing a given matter, establishing the main roles and responsibilities of the corporate functions involved both within the Parent Company and the other Group companies, the Board of Auditors – undertaking specific oversight actions - found that the boards of directors of the Group companies involved have executed the resolutions necessary to implement the Group policies approved in 2023 by the Board of Directors of the Parent Company. These Group policies enable the unified and coordinated definition and application of the operating and functioning model in the interest of the Group.

## Relations with the supervisory authorities and prudential supervision

*Supervisory review and evaluation process (SREP)*

On November 30, 20223 the supervisory authorities notified Iccrea Banca of results of the SREP decision, which establishes the prudential requirements to be respected at the consolidated level (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 buffer for the coverage deficit for NPEs, 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 13.155%.
- a Target Requirement (including P2G) of 14.405%.

Through participation in the meetings of the Board Committees and of the Board of Directors, as well as information exchanges with the control functions and the Supervisory Authority Relations unit, the Board of Auditors monitored the response to the issues highlighted in the SREP letter, constantly monitoring the resolution of those issues.

The state of progress of this process, as with all requests formulated by the supervisory authorities, was subject to periodic reporting.

*ICAAP and ILAAP*

As regards ICAAP and ILAAP, the Board of Auditors oversaw compliance with regulatory requirements, participating in the work of the Risk Committee, noting the structure and content of the related documents, of the information provided on the state of progress of the processes, of the results, of the improvement measures implemented in compliance with the instructions of banking supervisors.

In the examination of the ICAAP conducted jointly with the Risk Committee, the Board of Auditors found that the processes for identifying and measuring risks were substantially adequate, reinforced by the work carried out both by the central and local units of the Risk Management function. In the most recent ICAAP and ILAAP exercise, carried out in March this year, the recommendations contained in the SREP letter for the development of improvements regarding the measurement of internal capital and the treatment of unrealized losses and reserves, in addition to the more general indications addressed by the ECB to all significant banks.

The most recent ICAAP exercise also took account – among other factors – of the introduction of a specific focus on climate risk, incorporating the results of the measures to strengthen the C&E Risk framework and the refinement of the process of defining the list of applicable risks with respect to the Group's current and prospective operations, taking account of methodological and organizational developments relating to the CSRBB component.

That most recent exercise, conducted on a consolidated basis, took as its starting point the qualitative and quantitative composition of the ICBG balance sheet at December 31, 2023 and the 2024-2026 Strategic Plan. The results of the ICAAP and ILAAP analyses show, over the entire time horizon considered and on the basis of the various analytical perspectives (economic and regulatory/legislative), that the Group has a fully adequate financial situation.

*Recovery Plan*

The preparation and finalization of the Recovery Plan, which took place in December 2023, was as usual the outcome of discussions on the matter with the ECB Joint Supervisory Team, which requested further refinement: i) in the context of recovery actions (e.g. considering additional recovery options to avoid over-reliance on a single option); (ii) providing more details in relation to the interrelationship between recovery options (e.g. mutual exclusivity, combined implementation).These were accompanied by the recommendations/expectations of the supervisory authorities valid for all banks and groups subject to the Single Supervisory Mechanism.

The exercise highlighted the fact that the Group has recovery options that can bring its overall technical profile (both in terms of capital and liquidity) to sustainable levels within the time limits associated with the opening of crisis. This exercise significantly improved even further the recovery capacity compared with previous conditions, with a comprehensive analysis and evaluation of the feasibility of the options, seeking to optimize the time needed to implement them while incorporating elements of prudence in the valuation.

*MREL*

On March 6, 2024, Iccrea Banca, as the Parent Company, received the decision of the Single Resolution Board (SRB) on the determination of the minimum requirement of own funds and eligible liabilities (MREL) at the consolidated level of Iccrea Banca and at the individual level for the Relevant Legal Entities ("RLEs") identified during the 2023 resolution cycle (BCC Leasing, BCC di Roma, BCC di Alba, Credito Cooperativo Ravennate, BCC di Milano, Banca della Marca, Banca delle Terre Venete, Emilbanca, BCC Veneta, BCC Cantù, Chiantibanca and BCC Carate Brianza).

As regards the external MREL requirement at the consolidated level for Iccrea Banca, the approach adopted by the SRB remains the "general-hybrid" approach, which for the calibration of the MREL considers the Group's risk-weighted assets (RWAs) and, for compliance with that requirement, the Group own funds and eligible liabilities for the external MREL of Iccrea Banca only.

The decision provides for a minimum mandatory target for the external MREL, to be met by January 1, 2026, of 25.86% of consolidated RWAs (including the combined buffer requirement of 2.625% of consolidated RWAs) and 6.47% of the consolidated leverage ratio exposure (LRE).

As indicated in the Report on Operations, at December 31, 2023, Iccrea Banca Iccrea Banca complied with the consolidated intermediate target for:

- the MREL, with a surplus of about €3,623 million in terms of RWA and €5,608 million in terms of LRE;
- the subordination requirement, with a surplus of about €4,055 million in terms of RWA and €3,097 million in terms of LRE.

*Investigations and inspections*

The following provides an update on the main inspection activities conducted by the supervisory authorities in the years prior to 2023.

As discussed in the Report on Operations, the supervisory authorities conducted an on-site inspection at Iccrea Banca S.p.A. in 2021 involving an assessment of the appropriate calculation of capital ratios (capital adequacy), with a particular focus on risk-weighted assets (RWAs) for credit risk at the consolidated level, governance and internal policies for the calculation of capital requirements, the reconciliation process and data quality assurance, the appropriate credit risk weighting for specific portfolios, as well as the credit risk mitigation framework. The outcome of the inspection, which was disclosed in the first quarter of 2022, identified a number of weaknesses in oversight systems, for which the Parent Company has completed remediation actions.

In 2022, an on-site inspection (OSI) was conducted by the European Central Bank (ECB) concerning credit and counterparty risk in the area of asset quality of commercial real estate (CRE), with the aim of assessing compliance with and implementation of IFRS 9, as well as performing a credit quality review of selected portfolios and assessing credit risk processes. The final version of the Follow-up Letter containing the expectations of the supervisory authorities regarding the corrective actions to be taken was received on November 14, 2023, in response to which Iccrea Banca sent an action plan, currently being implemented.

With regard to the so-called “deep-dive” on the issue of forbearance – begun in 2022 with a specific analysis of the adequacy of the policies, procedures and their implementation with forborne exposures, both in terms of risk management tools and accurate reporting and classification, on May 30, 2023 the Bank received a Follow-up Letter containing the recommendations formulated by the supervisory authorities. On July 3, 2023 Parent Company formally submitted the remedial initiatives, now being implemented, to address the shortcomings identified.

As regards the inspection conducted by Consob from October 20, 2022 to October 17, 2023 concerning procedural aspects relating to the provision of investment services, with particular regard to the “product governance” policy as well as the methods for performing regulatory compliance checks, on April 24, 2023 the Bank received a technical notice and has begun analysis and definition of the appropriate measures to address the concerns raised by the supervisory authorities.

On March 10, 2023, the Bank of Italy completed its inspection to assess compliance with the legislation governing the transparency of transactions and fairness in customer relations pursuant to Articles 54, 68 and 128 of Legislative Decree 385/1993. The findings of the inspections were received on June 6, 2023, in response to which Iccrea Banca sent an action plan, currently being implemented.

On May 29, 2023, the European Central Bank completed an on-site inspection regarding IT risk in order to assess the management of IT operations, IT projects and IT security, including any complementary aspect relating to these issues. The final version of the Follow-up Letter containing the recommendations formulated by the supervisory authorities was received on November 10, 2023; the action plan of the Parent Company was submitted on December 8, 2023, and is currently being implemented.

An assessment of the cyber resilience of the payment system managed by BCC Sistemi Informatici with respect to the “Cyber Resilience Oversight Expectations” (‘CROE’) conducted by the Bank of Italy was completed in May 2023. The findings of the assessment were received on November 30, 2023 and the remedial action plan was transmitted in March 2024.

A thematic review of climate and environmental risks was conducted in 2022 by the ECB in order to verify the degree of compliance with the 13 expectations published in November 2021. On September 30, 2022 the final version of the Feedback Letter for the overall thematic review was received, in response to which the Parent Company submitted its action plan, which is currently being implemented. Moreover, on December 1, 2023 the final version of Expectations Decisions no. 1 (“Business Environment”) and no. 7 (“Risk Management Framework”) were received, both expiring in the first quarter of 2023, for which an update of the previously transmitted plan was requested (to be submitted to the supervisory authorities by March 31, 2024).

The following inspections were begun in 2023:

- an on-site inspection carried out by the ECB from March 14, 2023 to June 9, 2023 regarding internal governance and risk management. The final version of the inspection report was received on January 25, 2024 while the preliminary version of the Follow-up Letter containing the recommendations formulated by the supervisory authorities is pending;
- an inspection carried out by the Bank of Italy from June 5, 2023 to September 29, 2023 regarding anti-money laundering. The results of the inspection were received on December 18, 2023. The Parent Company submitted its reply to the inspection report on February 17, 2024;

– an on-site inspection conducted from June 6-8, 2023 by the Bank of Italy concerning the 'ABACO' system (acronym for "collateralized bank assets"), i.e. the procedures used to manage the bank loans pledged to guarantee the credit operations of the Eurosystem. The letter containing the results of the inspection was received on October 16, 2023. The specified remedial actions are currently being implemented;
– an on-site inspection by the ECB regarding credit and counterparty risk started on September 25, 2023. The inspection is intended to assess compliance with IFRS 9, carry out a credit quality review of certain portfolios, and evaluate the processes associated with credit risk. The on-site inspection was completed on December 15, 2023 and the preliminary version of the inspection report is pending;
– a "deep-dive" addressing resolution issues was notified on October 18, 2023 by the Single Resolution Board (SRB) regarding the dry-run test of the execution of the "bail-in" resolution strategy conducted on June 20-23, 2023 at the Parent Company level, the outcomes of which were submitted to the Board of Directors on August 4, 2023. The implementation of the remedial actions transmitted by Iccrea Banca to the SRB on December 21, 2023 is currently under way. Also transmitted were the overall results of the testing exercise, obtained using a specific methodology developed during 2022 and agreed with the SRB. It uses qualitative drivers applied to the various activities performed.

With regard to the inspection activities reported above, the Board of Auditors, where requested, provided the supervisory authorities with the minutes of its meetings pertaining to the issues discussed and participated (collectively or each member individually) in the meetings called in this regard by the supervisory authorities, providing the requested information.

As part of its planning of supervisory activities, in particular its activities within the Supervisory Examination Program – SEP, for 2024, the European Central Bank has also announced its intention to launch two inspections concerning, respectively, "Interest Rate Risks for Banking Book - IRRBB" in the third quarter of 2024 and "Business model and profitability", with the timing still to be determined.

During the first half of 2023, the Group participated in the 2023 EBA EU-wide Stress Test conducted by the European Banking Authority (EBA) in collaboration with the Bank of Italy, the European Central Bank and the European Systemic Risk Board (ESRB). The Group's fully-loaded Common Equity Tier 1 ratio (CET1r) at the end of the time horizon considered for the simulation (2025) stood at:

– 20.89% in the baseline scenario, an increase of about 255 basis points compared with the figure at December 2022;
– 14.00% in an adverse scenario (defined by the ECB and the ESRB), a reduction of about 435 basis points compared with the figure at December 2022, but exceeding the prudential requirement for own funds, including the Pillar 2 Guidance supervisory expectation.

### Oversight of statutory audit activities, the independence of the statutory audit firm and the financial reporting process

The individual and consolidated financial statements of Iccrea Banca S.p.A. at December 31, 2023 undergo statutory audit by the audit firm Mazars Italia S.p.A. pursuant to Legislative Decree 39 of January 27, 2010 and in execution of the shareholders' resolution of May 28, 2021.

In its capacity as "Internal Control and Audit Committee", the Board of Auditors, pursuant to Legislative Decree no. 39/2010 and Regulation (EU) no. 537/2014, performed its oversight functions in this area, which primarily involved:

a) monitoring the statutory audit of the separate and consolidated financial statements, implementing the usual exchange of information on the relevant issues and on the various aspects of its work;
b) verifying the independence of the audit firm Mazars Italia S.p.A. in conjunction with the assessment of acceptability of proposals for non-audit engagements of Mazars Italia S.p.A.

As regards the monitoring of the statutory audit of the separate and consolidated financial statements, the Board of Auditors met with the audit firm 11 times in 2023 and 6 times in the early months of 2024 to exchange information, acquiring other information concerning the approach and methods chosen with regard to:

- the audit of the data at June 30, 2023 of both the Parent Company, Iccrea Banca, and the consolidation of the ICBG at the same date, focusing on the audit strategy followed, the IT tools used, the key audit issues that emerged with regard to the affiliated banks with relevance at the consolidated level and the key audit matters of the separate financial statements of the Parent Company;
- the audit plan for the separate 2023 financial statements of Iccrea Bank and the consolidated financial statements of the ICBG, analyzing together with the independent auditors the contents of the operational planning for the performance of the audit, the main components (timing, required resources and specialists), major accounting application issues, operating systems and processes (also with reference to the affiliated banks), materiality and significance thresholds. The Board of Auditors acquired information on the methodological system adopted by the audit firm, receiving updates on the progress of the audit engagement and on the main issues being examined by the audit firm.

The Board of Auditors provided summary reports on the main issues to the Board of Directors of Iccrea Banca, briefing the directors on the main themes addressed and any problems detected. We have no particular comments in this regard.

With regard to the activities concerning the pre-approval referred to in Regulation (EU) 537(2014, during 2023 the Board of Auditors oversaw proposals for non-audit engagements, requested by Iccrea Banca of the two audit firms of the ICBG (Mazars Italia S.p.A. and EY S.p.A.) and entities of their networks, submitted by company units for specific needs originating in part with legislative and regulatory requirements. The requests - to be submitted for pre-approval by the "Internal Control and Audit Committee" of the individual public-interest entity (in Italian law Legislative Decree 39/2010 designates the board of auditors for this role) – underwent examination and analysis by the Board of Auditors, which, appropriate, issued its authorization.

The notes to the consolidated financial statements report the fees for 2023 paid to the firms engaged to perform the statutory audit of the accounts of the Iccrea Cooperative Banking Group.

During the period under review, the Board, again in light of the duties established by Legislative Decree 39/2010 in its capacity as the Internal Control and Audit Committee, maintained constant contacts with the Chief Financial Officer area of the Parent Company in order to acquire information on the financial reporting process of Iccrea Banca S.p.A., on its main constituent elements (processes, systems, resources) and on its functionality and effectiveness.

From the information acquired, including that gained in discussions with the audit firm, no shortcomings in the administrative and accounting procedures of particular significance were reported with regard to the objective of providing an accurate representation of operational events in compliance with international accounting standards.

Finally, the agenda of the Shareholders' Meeting convened at first call on May 15 and at second call on May 16 proposes a number of amendments to the Articles of Association concerning the voluntary introduction of the role of "Financial Reporting Office" governed by Law 262/2005. The amendment to the Articles of Association therefore provides for the introduction, within the organizational structure of Iccrea Banca, of a new approach for managing the risks that impact the financial reporting of the Parent Company and the Group. This model would integrate and strengthen the Group's current internal control system by introducing the new role of "Officer in charge of corporate financial reporting ". The objective of voluntary participation is to strengthen oversight of the system of internal controls relevant for financial reporting purposes, with the aim of providing the Group's stakeholders with greater evidence of the accuracy and correctness of the financial disclosures to investors. The establishment of this role also facilitates the activation of any actions deemed necessary to mitigate risks concerning the accuracy and correctness of financial disclosures.

### Transactions with related parties

The Board took note of the periodic examination by the Committee for Transactions with Related Parties - coinciding with the Affiliated Bank Interventions Committee – of transactions with related parties carried out by the Iccrea Cooperative Banking Group and related amounts at the end of the period. This examination did not reveal any issues that would require disclosure in this Report.

With regard to the ICBG, in compliance with the "Connected Persons" rules established under supervisory regulations, the Parent Company defined a specific policy governing this matter (last updated in November 2022), disseminating it with a specific directive to all Group companies.

Compliance and Internal Audit carry out periodic audits of the compliance of the regulatory and process arrangements in this area and the application of the policy at all the companies of the Banking Group. These audits did not find any issues that would require mention in this Report.

The draft financial statements report the information relating to transactions with related parties (Part H - Transactions with related parties ), in compliance with the provisions of IAS 24 – Related Party Disclosures.

In January this year, the Board of Auditors organized a "close liaison" initiative with the analogous bodies of the mutual banks affiliated to the Group on "conflicts of interest", in order to share information on control methodologies and highlight certain significant issues.

### ICBG remuneration and incentive policies

The Board of Directors of Iccrea Banca S.p.A. approved the "2024 ICBG Remuneration and Incentive Policies", to be submitted to the Shareholders' Meeting, together with the "Standard document of remuneration and incentive policies for the affiliated banks" and the "Material risk takers identification process for the Parent Company, companies in the direct scope and associated outcomes".

The update of the policies presented to the Shareholders' Meeting includes additional refinements of the various mechanisms for identifying and measuring the objectives of the incentive system and its beneficiaries, as well as the process that tracks the various conditions for opening the gates governing award. With regard to the assignment of performance targets and evaluation, the roles and activities of the Risk Committee and the Remuneration Committee have also been redefined in relation to their specific responsibilities.

The Board of Auditors monitored this revision implemented by Iccrea Banca, focusing among other things on compliance with the regulatory constraints concerning the configuration of the incentive system dedicated to the corporate control functions, to safeguard their independence and autonomy, operating – in these areas - in close collaboration with the Remuneration Committee and the Risk Committee.

With regard to the 2023 Internal Audit Report on Remuneration and Incentive Policies and Practices of Iccrea Banca, the analyses found that remuneration and incentive practices were generally compliant with the policies approved by the Board of Directors and the Shareholders' Meeting, as well as the applicable supervisory regulations.

### Supervisory Body pursuant to Legislative Decree 231/2001

With specific regard to the functions of the Supervisory Body pursuant to Legislative Decree 231/2001, during the period under review the Board of Auditors monitored the functioning and observance of the Compliance Model pursuant to Legislative Decree 231/2001 (hereinafter, also "the Model") by:

- receiving and analyzing the information flows envisaged by the Model;
- acquiring any relevant information from the verification activities of the control functions on the possible presence of cases falling within the criminal risk areas of Legislative Decree 231/01;
- requesting further information from Internal Audit on areas relevant for the purposes of Legislative Decree 231/01 (e.g.: workplace health and safety and subsidized lending);
- carrying out independent supervisory activities, including during meetings with the competent corporate units, with a specific focus on certain key aspects (workplace health and safety, personal data processing, anti-money laundering, supply chain/purchasing etc.);
- monitoring, through the acquisition of information and data, of certain aspects deemed relevant, including compliance with the UNI INAIL Guidelines of the Health and Safety Management System pursuant to Legislative Decree 81/2008, the Policies/Directives issued by Iccrea Banca relevant under the provisions of Legislative Decree 231/2001 and information on the hiring of new personnel;
- monitoring the improvement initiatives undertaken by the Company, which are intended to completely address the critical issues highlighted in the gap analysis for updating the Model;
- monitoring the information/training initiatives for disseminating knowledge and understanding of the Decree and the Model adopted by the Company;
- liaising, where necessary, with the supervisory bodies of certain of the companies within the direct scope (so as to ensure the circulation of information necessary for the performance of out the oversight activities of the Group bodies);
- promptly analyzing the reports received in order to identify any issues concerning the operation of the Model;
- monitoring the legislative developments amending Legislative Decree 231/2001 in the period covered by this Report

During the period covered by this Report, our oversight activities found no violations or reprehensible events connected with the conduct of top management and all other Company personnel in accordance with the provisions set out in the Compliance Model or the Code of Ethics, as presented in the Report of the Supervisory Body submitted to the Board of Directors of Iccrea Banca at its meeting of March 28, 2024.

As regards the adequacy and suitability of the Compliance Model, the Supervisory Body did not uncover any factors that could affect the functioning and implementation of that model.

### Non-Financial Statement

The Board of Auditors, acknowledging Legislative Decree 254/2016, oversaw - in the exercise of its functions - compliance with the provisions of that decree regarding the drafting of the ICBG Non-Financial Statement (NFS), approved by the Board of Directors on April 18, 2024.

The Board held a number of meetings with the function responsible for drafting the NFS and the representatives of the audit firm (Mazars) and examined the documentation made available.

The Board has also taken note of the report issued by the audit firm on April 23, 2024, which reports that there is no evidence to suggest that the ICBG's Consolidated Non-Financial Statement for the year ended December 31, 2023 has not been prepared in all significant aspects in compliance with articles 3 and 4 of Legislative Decree 254/2016 and the GRI Standards ("Global Reporting Initiative Sustainability Reporting Standards" issued by the GRI - Global Reporting Initiative).

On the basis of the information acquired, the Board of Auditors certifies that, during its examination of the Integrated Annual Report, no evidence of non-compliance and/or violation of the applicable regulatory provisions came to its attention.

### Opinions issued

During 2023, the Board of Auditors issued a favorable opinion:

- pursuant to Article 2389, paragraph 3, of the Civil Code, on the proposal for the remuneration of directors vested with special responsibilities in accordance with the Articles of Association, with particular regard to the modification of the remuneration of the members of the Risk Committee;
- pursuant to Circular no. 285 of December 17, 2013, Part Three, Chapter 3, concerning compliance with the provisions regarding covered bonds, in particular regarding:
    - eligible assets and associated measurement procedures (art. 7-novies of Law 130);
    - hedge derivatives in the cover pool, where provided for (art. 7-decies 130);

- hedging requirements (art. 7-undecies of Law 130);
- liquidity requirements (7-duodecies of Law 130);
- automatic extension of time limits, where provided for (art. 7-terdecies of Law 130);
- the cover pool audit firm (art. 7-sexiesdecies of Law 130).

The Board of Auditors organized a “close liaison” initiative with the analogous bodies of the affiliated mutual banks participating in the Covered Bond Issue Program approved in 2021 to address these issues.

## Further information on the oversight activity of the Board of Auditors

In the light of the oversight activity performed in the period covered by this Report, we report that:

- the Board of Auditors is not aware of transactions carried out during the period under review in this report that did not comply with the principles of correct administration, that were authorized and executed in violation of law or the articles of association or were not performed in the interest of Iccrea Banca S.p.A., in conflict with the resolutions of the Shareholders’ Meeting, or were manifestly imprudent or risky, lacking the necessary information in the event of the existence of interests of the directors or were such as to compromise the integrity of corporate assets;
- there were no atypical and/or unusual transactions carried out with third parties, related parties or group companies;
- no complaints were received by the Board of Auditors pursuant to Article 2408 of the Civil Code;
- following the checks performed, no omissions, censurable facts or significant irregularities were found that would merit mention in this report.

In the exercise of its functions, the Board of Auditors received information from the boards of auditors of the most important companies within the direct scope and that information did not report circumstances that would require mention in this Report.

In addition to the information already provided in this Report, during the year the Board of Auditors provided the reports required of it under applicable legislation and supervisory regulations for banks.

The Board of Auditors also declares that:

- it verified compliance with independence requirements on the part of the individual members of the Board of Auditors and that it both periodically and on a case-by-case basis took note of and assessed the notices received from its individual members regarding the number of other positions held/terminated and the related time commitment;
- it found that compliance with the integrity and experience requirements for corporate officers was appropriately assessed by the Board of Directors, as was the verification of other positions held for the purpose of the prohibition on interlocking officerships under Article 36 of Decree Law 201/2011 (ratified with amendments by Law 214/2011).

## Draft financial statements and Report on Operations

The Board of Auditors examined the company financial statements for the year ended December 31, 2023. As the Board is not charged with the statutory audit of the financial statements, we performed an overall summary check of the general layout of the financial statements and their general compliance with the law with regard to their formation and structure, and in this regard we have no particular observations to report. The Board of Auditors also monitored compliance with the procedural rules governing the preparation of the consolidated financial statements.

The Board of Auditors also declares it has examined the following reports prepared by Mazars Italia S.p.A.:

- the audit reports (individual and consolidated) issued on April 23, 2024 in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537/2014;
- the additional report issued on April 23, 2024 in accordance with Article 11 of Regulation (EU) no. 537/2014, to the Board of Auditors in its capacity as the Internal Control and Audit Committee. This Report contains the annual confirmation of independence issued pursuant to Article 6, paragraph 2, letter a) of Regulation (EU) no. 537/2014. The Board informed the management body of the audited entity of the outcome of the statutory audit and sent the additional report referred to in Article 11 of Regulation (EU) no. 537/2014 to that body.

The above reports on the audit of the separate financial statements and the consolidated financial statements of the Group indicate that both documents provide a true and fair view of the financial position of Iccrea Banca S.p.A. and the ICBG at December 31, 2023, as well as the performance and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards endorsed by the European Union and the measures issued in implementation of Article 43 of Legislative Decree 136/2015. Moreover, in the opinion of the auditor, the Report on Operations is consistent with the financial statements and the consolidated financial statements of the ICBG at December 31, 2023 and has been prepared in compliance with the law.

The statutory auditor, with whom we met periodically for the purpose of exchanging information, did not report any acts or facts deemed censurable or any irregularities to the Board of Auditors.

In view of all of the foregoing and the content of the reports drafted by the statutory auditor, the Board of Auditors, within the scope of its responsibilities, finds no impediment to the approval of the draft separate financial statements at December 31, 2023 of Iccrea Banca S.p.A. and the allocation of the result for the year proposed by the Board of Directors.

Rome, April 29, 2024

The Board of Auditors

Barbara Zanardi (Chair)

Riccardo Andriolo

Claudia Capuano

# REPORT OF THE AUDIT FIRM

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Iccrea Banca S.p.A.

# Independent auditors' report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

*(translation of the original report issued in Italian*)*

Consolidated financial statements as of 31 December 2023

ORMB/VRCN/vbrb – R2024/00619 (ENG)

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# Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

*(translation of the original report issued in Italian*)*

To the Shareholders of Iccrea Banca S.p.A.

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of Gruppo Bancario Cooperativo Iccrea (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in shareholder's equity and the statement of cash flows for the year then ended, and notes to the financial statement, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of the consolidated result of its operations and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the measured issued in implementation article 43 of Legislative Decree No. 136/2015.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the section of this report titled *Auditor's responsibilities for the audit of the consolidated financial statements*. We are independent of Iccrea Banca S.p.A. (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Mazars Italia S.p.A.

Capitale sociale deliberato, sottoscritto e versato € 120.000 - Sede legale: Via Ceresio, 7 - 20154 Milano
Rea MI-2076227 - Cod. Fisc. e P. Iva 11176691001
Iscrizione al Registro dei Revisori Legali n. 163788 con D.M. del 14/07/2011 G.U. n. 57 del 19/07/2011

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***Classification and valuation of financial loans to customers measured at amortized cost***
*For further information, please refer to the Explanatory Notes:*
*"Part A – Accounting policies" – Section A.2 paragraph 3. "Financial assets measured at amortized cost "*
*"Part B – Information on the balance sheet" - Section 4 "Financial assets measured at amortized cost"*
*"Part C – Information on the income statement": Section 8 "Net losses/recoveries for credit risk in respect of financial asset measured at amortized cost"*
*"Part E – Risk and risk management policies*

| Description of the key audit matter | Audit procedures |
|---|---|
| Loans to customers measured at amortized cost, which are reported in item 40 b) of the balance sheet assets, as of 31 December 2023 amount to Euro 90.886 million, representing 52% of total assets.<br><br>Their classification and evaluation provided by the directors is relevant for the audit in consideration of their significance, either with reference to the intrinsic complexity of the process of determining the expected losses and by the subjectivity in the formulation of the estimation processes, also in consideration of the uncertainty of the current macroeconomic context.<br><br>Amongst the estimation factors, the following are of particular importance:<br><br>• the criteria identified for significant increase in credit risk (SICR) for the allocation of credit portfolios to the homogeneous categories of risk (so-called "staging allocation");<br><br>• the determination of the parameters for the estimation of expected credit losses (ECL), including *forward-looking* factors for the determination of *Probability of Default* (PD), *Exposure at Default* (EAD) and *Loss Given Default (*LGD) classified in Stage 1 and Stage 2;<br><br>• credit-impairment evidence leading to classification of loans as impaired in Stage 3.<br><br>Also relevant are the derisking activities coordinated by the Parent Company through the disposal of impaired credit exposures. | In response to this key audit matter, the audit approach adopted involved the following procedures:<br><br>• update of the understanding of the internal control system, as well as internal procedures related to the monitoring of the quality of portfolio and the management of credit risk, as well as those related to the measurement of expected credit losses;<br><br>• review of the implementation and operating effectiveness of controls, relevant for the purpose of credit classification and valuation process, including information technology (IT) controls;<br><br>• execution of comparative analytical procedures with reference to the most significant changes over the financial loans to customers compared to previous year figures;<br><br>• performance of substantive procedures, on a sample basis, in order to test the appropriate classification and valuation of credit exposures;<br><br>• review of the correct accounting treatment of transactions involving the sale of bad and unlikely to pay loans carried out during the year;<br><br>• verification of the adequacy and compliance of the financial disclosure provided in the explanatory notes.<br><br>The procedures described above were also carried out with the support of experts and specialists in financial instruments valuation and in IT systems matters. |

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## Responsibilities of the directors and board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error or unintentional behavior or events..

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements, and for appropriate disclosure thereof. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the parent company Iccrea Banca S.p.A or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain a reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Group to cease to continue as a going concern;

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- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a manner as to give a true and fair view;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated to them any circumstances that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we identified those that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore representing the key audit matters. We described these matters in our auditor's report.

### Additional disclosures required by article 10 of Regulation (EU) No. 537/2014

On 24 May 2021, the shareholders of Iccrea Banca S.p.A in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors ("collegio sindacale"), in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

## Report on compliance with other laws and regulations

### Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 [and article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Iccrea Banca S.p.A. are responsible for preparing a directors' report of Gruppo Bancario Cooperativo Iccrea as at 31 December 2023, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the consolidated financial statements and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the consolidated financial statements of Gruppo Bancario Cooperativo Iccrea as at 31 December 2023 and is prepared in compliance with the law.

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With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

## Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, No. 254

The directors of Iccrea Banca S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, No. 254.

We verified the approval by the directors of the non-financial statement.

Pursuant to art. 3, paragraph 10, of Legislative Decree 30 December 2016, No. 254, this statement is subject of a separate compliance report issued by us.

Rome, 23 April 2024

Mazars Italia 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.*

# REPORT AND SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY ICCREA BANCA SPA

# REPORT ON OPERATIONS OF THE PARENT COMPANY

## CONTENTS

## 1. 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 December 31, 2023. 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 | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| Cash and cash equivalents | 4,759,314 | 960,917 | 3,798,397 | 395.3 |
| Financial assets measured at amortized cost – *Due from banks – Loans and securities* | 30,806,297 | 35,653,688 | (4,847,391) | (13.6) |
| Financial assets measured at amortized cost –*Due from customers – Loans* | 7,558,420 | 7,084,693 | 473,727 | 6.7 |
| Financial assets measured at amortized cost – *Due from customers – Securities* | 10,138,191 | 8,340,562 | 1,797,629 | 21.6 |
| Financial assets measured at fair value through profit or loss | 1,977,687 | 2,521,624 | (543,937) | (21.6) |
| Financial assets measured at fair value through other comprehensive income | 1,224,308 | 1,079,476 | 144,831 | 13.4 |
| Hedging derivatives | 163,309 | 570,702 | (407,393) | (71.4) |
| Equity investments | 1,514,823 | 1,568,623 | (53,800) | (3.4) |
| Other assets | 835,607 | 642,509 | 193,098 | 30.1 |
| **Total interest-bearing assets** | **58,977,956** | **58,422,794** | **555,161** | **1.0** |
| Other non-interest-bearing assets | 141,263 | 69,014 | 72,249 | 104.7 |
| **Total assets** | **59,119,218** | **58,491,808** | **627,410** | **1.1** |

At December 31, 2023 total assets amounted to about €59.1 billion, an increase from €58.5 billion at the end of December 2022, mainly reflecting the following developments:

- an increase of €3.8 billion in cash and cash equivalents, mainly reflecting overnight deposits with the ECB;
- a decrease of €2.6 billion in loans measured at amortized cost compared with the end of 2022, resulting from:
  - the decrease in amounts due from banks (-€4.8 billion), primarily reflecting the combined impact of: i) a contraction in lending connected with TLTRO operations with the mutual banks (-€9.3 billion). A similar development is recorded for "Financial liabilities measured at amortized cost"; and ii) an increase in lending to mutual banks (+€1.4 billion) granted against collateral in the form of refinanceable securities (pool collateral); covered bonds and activation of liquidity support under the Guarantee Scheme in the total amount of +€1.4 billion, reserve requirements (+€1.4 billion). An increase in the debt securities (+€0.9 billion) issued 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 (+€2.3 billion) essentially attributable to an increase in investments in debt securities (+€1.8 billion, almost exclusively Italian government securities), medium/long-term lending, mainly to companies within the direct scope (+€0.3 billion);
- a decrease of €0.5 billion in financial assets measured at FVTPL (broken down in the following table) to €2.0 billion, reflecting the net impact of: *i)* a decrease in the value of trading derivatives (-€0.7 billion, a similar development is recorded under trading derivatives in liabilities); *ii)* an increase (+€67.6 million) in assets originally designated as at fair value, represented by the assets in the Guarantee Scheme, as a result of an increase in investments during the period; *iii)* a decrease in other financial assets mandatorily measured at fair value (-€32.0 million), mainly reflecting subscriptions and redemptions in the period and a decrease in the value of units in CIUs (-€9.1 million) and debt securities (-€43.6 million) partly offset by purchases of equity securities (+€20.7 million);

| | 31/12/2023 | | | |
|---|---|---|---|---|
| €/thousands | Financial assets held for trading | Financial assets designated as at FV | Other financial assets mandatorily measured at FV | Total |
| Debt securities | 75,030 | 338,401 | 19,577 | 433,007 |
| Equity securities | 1,605 | - | 61,114 | 62,719 |
| Units of CIUs | 10,080 | - | 393,938 | 404,018 |
| Derivatives | 1,077,943 | - | - | 1,077,943 |
| **Total 31/12/2023** | **1,164,658** | **338,401** | **474,629** | **1,977,687** |
| **Total 31/12/2022** | **1,744,131** | **270,820** | **506,673** | **2,521,624** |
| **Change** | **(579,473)** | **67,580** | **(32,044)** | **(543,937)** |

- an increase of €144.8 million in financial assets measured at fair value through other comprehensive income, which are held under the HTCS business model, mainly reflecting a shift in debt securities between "government" issues (-€61.6 million) and "bank" (+€189.6 million);
- a decrease of €53.8 million in equity investments, mainly due to: *i)* a reduction in equity carried out by BCC Servizi Assicurativi Srl (-€258.9 million); *ii)* a decrease in the value of the equity investment held in BCC Sinergia SpA (-€52.0 million) following the "Lucrezia Romana real estate spinoff" as described in more detail in the section below; *iii)* a decrease in the value of the equity investment in Pay Holding SpA (-€3.0 million) reflecting the distribution of reserves to shareholders; *iv)* the acquisition of the remaining 70% share capital of BCC Vita SpA and BCC Assicurazioni SpA (+€174.9 and +€13.9 million, respectively, in respect of the reorganization of the bancassurance segment of the Group as described in more detail in the following section; *v)* the acquisition of all of the share capital of BCC Rent&Lease SpA (+€25.7 million, previously held by BCC Leasing S.p.A); *vi)* the subscription of a future capital increase in BCC Financing SpA and BCC Credito Consumo SpA (+€20.0 and +€25.0 million, respectively); *vii)* the subscription of shares pursuant to Art. 150-ter of the Consolidated Banking Act - as manager of the Guarantee Scheme – in Banca Centropadana (+€2.5 million), offset by the repayment (authorized by the ECB) carried out by Banca TEMA (-€2.0 million).

The following provides a breakdown of amounts due from banks, largely represented by loans to the mutual banks (about €24.5 billion), a reduction (-€5.8 billion) on the end of 2022. These loans, secured by securities eligible for refinancing (pool collateral), include about €14.4 billion in operations with the ECB (TLTRO) and about €6.3 billion in other forms of collateralized financing.

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| Mutual banks | 24,490,718 | 30,305,595 | (5,814,877) | (19.2) |
| Other credit institutions | 6,315,579 | 5,348,093 | 967,486 | 18.1 |
| **Due from banks** | **30,806,297** | **35,653,688** | **(4,847,391)** | **(13.6)** |

Amounts due from other credit institutions include €3.3 billion in intercompany lending (of which about €3.0 billion to BCC Leasing) with the remainder comprising deposits with third parties.

Loans to ordinary customers amounted to €7.6 billion, an increase on the €7.1 billion posted at the end of December 2022. Of the total, €2.7 billion regard intercompany loans. The change in the item is largely attributable to an increase in lending to companies in the direct scope.

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| Current accounts | 398,307 | 191,375 | 206,932 | 108.1 |
| Medium/long-term loans | 2,692,419 | 2,729,605 | (37,186) | (1.4) |
| Repurchase transactions | 793,621 | 728,304 | 65,317 | 9.0 |
| Other transactions | 3,621,336 | 3,392,525 | 228,812 | 6.7 |
| Impaired assets | 52,736 | 42,884 | 9,852 | 23.0 |
| **Loans to customers** | **7,558,420** | **7,084,693** | **473,727** | **6.7** |

The following table provides a breakdown of impaired positions.

| | 31/13/2023 | | | |
|---|---|---|---|---|
| **€/thousands** | **Gross exposure** | **Impairment losses** | **Net exposure** | **% coverage** |
| Bad loans | 20,131 | (18,085) | 2,046 | 89.8 |
| Unlikely to pay | 158,229 | (107,659) | 50,570 | 68.0 |
| Impaired past-due | 170 | (51) | 119 | 29.9 |
| **Total 31/12/2023** | **178,531** | **(125,795)** | **52,736** | **70.5** |
| **Total 31/12/2022** | **177,236** | **(134,352)** | **42,884** | **75.8** |
| **Change** | **1,295** | **8,557** | **9,852** | **(5.3)** |

## Liabilities

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| Financial liabilities measured at amortized cost – *Due to banks* | 34,677,583 | 41,593,508 | (6,915,925) | (16.6) |
| Financial liabilities measured at amortized cost – *Due to customers* | 14,926,307 | 8,663,966 | 6,262,341 | 72.3 |
| Financial liabilities measured at amortized cost – *Securities issued* | 5,196,867 | 3,425,452 | 1,771,414 | 51.7 |
| Financial liabilities held for trading | 1,048,214 | 1,729,244 | (681,030) | (39.4) |
| Financial liabilities designated as at fair value | 387,148 | 352,484 | 34,664 | 9.8 |
| Hedging derivatives | 88,523 | 165,494 | (76,971) | (46.5) |
| Other liabilities | 377,668 | 403,602 | (25,934) | (6.4) |
| **Total interest-bearing liabilities** | **56,702,309** | **56,333,749** | **368,560** | **0.7** |
| Other non-interest-bearing liabilities | 187,810 | 56,099 | 131,711 | 234.8 |
| Shareholders' equity | 2,141,180 | 1,662,166 | 479,013 | 28.8 |
| Profit for the period | 87,920 | 439,793 | (351,874) | (80.0) |
| **Total liabilities** | **59,119,218** | **58,491,808** | **627,410** | **1.1** |

The increase in liabilities compared with the end of 2022 is mainly attributable to the increase of €0.4 billion in interest-bearing funding, which was the net effect of the following developments:

- a decrease in amounts due to banks (-€6.9 billion) to about €34.7 billion, due to the combined effect of the decrease in amounts due to central banks (-€10.1 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 (+€2.4 billion) and repo transactions (+€0.3 billion);
- an increase in amounts due to customers (+€6.3 billion), to €14.9 billion, essentially reflecting an increase in repurchase agreements with the Clearing & Guarantee Fund (+€5.5 billion) and new unsecured transactions with the Ministry for the Economy and Finance (+€1.1 billion);
- an increase in securities issued (+€1.8 billion) due almost entirely to new issues carried out under the Covered Bond Program.

Amounts due to banks break down as follows:

- €16.9 billion in positions with the affiliated banks mainly in respect of demand and time deposits (€16.1 billion), of which €1.5 billion in mutual bank deposits to meet the reserve requirement, €1.6 billion in "tiered" deposits and €7.8 billion in amounts held on the daily settlement account;
- €17.8 billion in amounts due to other credit institutions, largely related to financing from the ECB under TLTRO operations (€6.2 billion).

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| Mutual banks | 16,920,694 | 13,129,059 | 3,791,635 | 28.9 |
| Other credit institutions | 17,756,888 | 28,464,449 | (10,707,561) | (37.6) |
| **Due to banks** | **34,677,583** | **41,593,508** | **(6,915,925)** | **(16.6)** |

Funding with customers amounted to €14.9 billion, an increase (+€6.3 billion) on December 31, 2022, mainly reflecting an increase in repurchase transactions (+€5.5 billion) and transactions with the Ministry for the Economy and Finance (+€1.1 billion).

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| Current accounts and deposits | 932,178 | 1,258,602 | (326,424) | (25.9) |
| Financing | 13,618,668 | 6,975,584 | 6,643,083 | 95.2 |
| Other payables | 375,461 | 429,780 | (54,318) | (12.6) |
| **Due to customers** | **14,926,307** | **8,663,966** | **6,262,341** | **72.3** |

## Equity

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| 1. Capital | 1,401,045 | 1,401,045 | - | - |
| 2. Share premium reserve | 6,081 | 6,081 | - | - |
| 3. Reserves | 682,588 | 236,491 | 446,097 | 188.6 |
| 4. Equity instruments | - | - | - | - |
| 5. (Treasury shares) | - | - | - | - |
| 6. Valuation reserves | 51,464 | 18,548 | 32,916 | 177.5 |
| **Total** | **2,141,180** | **1,662,166** | **479,013** | **28.8** |

At December 31, 2023, 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 2022. Shareholders' equity, excluding profit for the period, amounted to €2.1 billion, an increase of €479.0 million on December 31, 2022. The main changes reflect the allocation of 2022 profit (€439.8 million; of which €44.0 million to the legal reserve and €395.3 million as retained earnings) and an increase in valuation reserves (+€32.9 million) mainly due to changes in the cash flow hedge reserve (+€17.5 million) and, for the remainder, an increase in valuations of securities in the FVOCI portfolio.

## Income statement

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| **Net interest income** | **113,055** | **231,984** | **(118,929)** | **(51.3)** |
| Other gains/losses on financial transactions | 55,827 | (10,779) | 66,606 | (617.9) |
| Dividends | 140,341 | 13,475 | 126,866 | 941.5 |
| **Net fee and commission income** | **55,863** | **72,100** | **(16,237)** | **(22.5)** |
| **Gross income** | **365,086** | **306,780** | **58,306** | **19.0** |
| Personnel expenses | (214,065) | (197,079) | (16,986) | 8.6 |
| Other administrative expenses | (268,646) | (265,102) | (3,545) | 1.3 |
| Net adjustments of property, plant and equipment and intangible assets | (1,992) | (2,246) | 254 | (11.3) |
| Other operating expenses and income | 217,594 | 114,170 | 103,424 | 90.6 |
| **Total operating expenses** | **(267,109)** | **(350,257)** | **83,148** | **(23.7)** |
| **Gross operating profit** | **97,977** | **(43,477)** | **141,454** | **(325.4)** |
| Net provisions for risks and charges | (115,142) | 1,813 | (116,955) | (6,449.8) |
| Net losses/recoveries on impairment of loans and other financial transactions | (25,845) | 22,591 | (48,436) | (214.4) |
| **Total provisions and adjustments** | **(140,987)** | **24,404** | **(165,391)** | **(677.7)** |
| Profit/(loss) from equity investments | 9,803 | 437,836 | (428,033) | (97.8) |
| **Profit/(loss) before tax** | **(33,207)** | **418,763** | **(451,970)** | **(107.9)** |
| Income tax expense | 42,027 | 13,854 | 28,173 | 203.4 |
| Profit/(loss) after tax on discontinued operations | 79,100 | 7,176 | 71,924 | 1,002.3 |
| **Profit/(loss) for the period** | **87,920** | **439,793** | **(351,873)** | **(80.0)** |

The year 2023 closed with a net profit of €87.9 million, compared with a net profit of €439.8 million in 2022. The main factors that contributed to the result for the period are attributable to:

- an increase – totaling €58.3 million – in gross income to €365.1 million. The increase was the product of the following factors:

- a decline in net interest income (-€118.9 million) as a consequence of rate developments, which were negative until the third quarter of 2022 – resulting in a substantial decrease in margins as a consequence of differences in the speed of the repricing of funding and lending items. More specifically, the period saw: i) an increase in yields on securities net of the effect of associated hedging derivatives (+€256.0 million, almost all of which are Italian government securities indexed to inflation); ii) higher returns on medium/long-term loans (+€206.6 million); *(iii)* increased margins from other technical forms of lending, such as loans to mutual banks using pool collateral mechanisms (+€171.9 million), ECB overnight deposits (+€68.5 million) reserve requirements (+€24.5 million). These factors were countered by an increase in the cost of: *iv)* TLTRO financing (-€70.0 million); *v)* funding through bond issues (-€70.2 million); *vi)* repo transactions (-€342.6 million); *vii)* balances on current accounts and deposits (-€355.7 million);
- a reduction in net fee and commission income (-€16.2 million) mainly due to the recognition pursuant to IFRS5 of performance fees connected with correspondent bank operations (-€7.7 million); a decrease in fee and commission income for Medio Credito Centrale servicing activities (-€3.0 million) and higher performance bonuses connected with the exclusive promotion and placement agreement for e-money products and services with the Group mutual banks (-€2.2 million);
- an increase in other income/(loss) from financial operations, which amounted to €55.8 million (as detailed in the following table) – a change of +€66.6 million, a consequence of the improved performance recorded by the capital securities and CIU units allocated to the mandatory FVTPL portfolio (+€38.0 million), the positive contribution of trading activity (+€4.5 million) mainly due to better results of the securities segment and hedging activity (+€12.2 million). This improvement also reflected the contribution of an increase in gains on disposal from sales made on the HTC (+€4.0 million) and HTCS portfolios (+€7.6 million) on 2022 (+€11.9 million).

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| **Net gain (loss) on trading activities** | **17,681** | **13,225** | **4,457** | **33.7** |
| **Net gain (loss) on hedging activities** | **7,274** | **(4,946)** | **12,220** | **(247.1)** |
| **Net gain (loss) on the disposal or repurchase of:** | **37,323** | **25,442** | **11,881** | **46.7** |
| *a) financial assets measured at amortized cost* | 38,931 | 34,917 | 4,015 | 11.5 |
| *b) financial assets measured at fair value through other comprehensive income* | (1,740) | (9,357) | 7,617 | (81.4) |
| *c) financial liabilities* | 132 | (117) | 249 | (212.8) |
| **Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss** | **(6,451)** | **(44,500)** | **38,049** | **(85.5)** |
| *a) financial assets and liabilities measured at fair value* | (4,916) | (4,547) | (369) | 8.1 |
| *b) other financial assets mandatorily measured at fair value* | (1,535) | (39,954) | 38,418 | (96.2) |
| **Total "Other income/(loss) from financial operations"** | **55,827** | **(10,779)** | **66,606** | **(617.9)** |

- an increase in dividend income (+€126.9 million), which amounted to €140.3 million, reflecting the distribution of profits earned in 2021 and 2022 by the companies in the direct scope (€128.8 million) as well as dividends from the interest held in the Bank of Italy (€10.6 million);

• a decrease of €83.1 million in operating expenses to €267.1 million in the period, reflecting:
  - an increase in other operating expenses/income (+€103.4 million), mainly attributable to the impact of the recognition in 2022 of one-off charges (€90 million) connected with long-term exclusive distribution contracts and agreements for the products and services of BCC Pay between Iccrea Banca and the Group mutual banks. Excluding this component, revenues from services rendered to ICBG companies increased;
  - an increase of €17.0 million in personnel expenses, of which €8.1 million attributable to an increase in wages and salaries under the terms of the bargaining agreement renewal, €3.0 million for an expansion of the workforce and €5.9 million to costs connected with items such as the incentive scheme and early termination incentives;
  - an increase in other administrative expenses (+€268.6 million), mainly attributable to an increase in running expenses (+€6.9 million) offset by a reduction in the BRRD contribution (-€3.5 million);

• an increase in net provisions for risks and charges (+€117.0 million) for the recognition of charges connected with the exclusive promotion and placement agreement of products of the bancassurance (€67.9 million) and e-money (€54.3 million) segments with the Group mutual banks, described in more detail in the following sections;

- an increase in the cost of risk (see following table) with the recognition of writedowns on on-balance-sheet and off-balance-sheet exposures of €18.9 million, equal to the net effect of writebacks on stage 1 and 2 exposures (+€23.2 million) and impairment losses on non-performing stage 3 exposures (-€42.1 million):

| €/thousands | 31/12/2023 | 31/12/2022 | Change | % change |
|---|---|---|---|---|
| **A. On-balance sheet exposures** | | | | |
| Stage 1 and 2 | 15,174 | 26,264 | (11,090) | (42.2) |
| Stage 3 | (41,018) | (3,673) | (37,345) | 1,016.7 |
| **B. Off-balance sheet exposures** | | | | |
| Stage 1 and 2 | 7,996 | 2,493 | 5,503 | 220.7 |
| Stage 3 | (1,090) | (1,321) | 231 | (17.5) |
| **Total** | **(18,938)** | **23,763** | **(42,701)** | **(179.7)** |

- a decrease in gains/losses on equity investments (-€428.0 million) down to €9.8 million, reflecting the disposal of the stake in BCC Pay to FSI in 2022. The earn-out recognized in 2023 in respect of the sale of BCC Pay to FSI was €10.4 million;

- an increase in profit/loss on discontinued operations (+€71.9 million), reflecting the recognition in 2023 of a gain from the disposal of correspondent bank operations (+€100.0 million) and the expenses and income connected with those operations (+€9.1 million) net of taxes (-€30.0 million). This transaction is described in more detail in the following sections. In 2022, the amount included the net profit of the assets and liabilities transferred to BCC Pay as part of the spin-off of e-money operations.

## Acquisition of control of the insurance companies BCC Vita and BCC Assicurazioni and definition of new partnerships in the bancassurance segment

As part of the broader process of establishing new partnerships in the bancassurance segment of the Group and in compliance with the existing agreements with Cattolica Assicurazioni, on September 27, 2023 Iccrea Banca completed the acquisition of control of the insurance companies BCC Vita and BCC Assicurazioni. The process of selecting new insurance partners led to the definition of preliminary partnership agreements establishing, among other provisions, the transfer of control (51%) of the above companies to, respectively, BNP Paribas Cardif[41] and Assimoco,[42] in the first few months of 2024, in the total amount of about €205 million.

This led to verification of the value of the interest (which increased from 30% to 100%) in the two companies in the individual financial statements of Iccrea Banca at December 31, 2023, including the component involved in the sale in the early months of 2024 (equal to 51%). This assessment did not reveal any impairment losses.

Another development within the scope of the reorganization was the transmission to the mutual banks on December 7, 2023, of the draft proposal for an agreement for the exclusive promotion and placement of products in the bancassurance sector. The agreement provides for Iccrea Banca to pay a fee in return for the concession of commercial exclusivity by the mutual banks, determined as follows:

- €30 million upon signing the exclusivity agreement;
- €40 million upon achievement of specified qualitative and quantitative objectives measured in the 2024-2028 period;
- a possible additional €250 million - to be paid at the total discretion of Iccrea Banca without any claim or entitlement on the part of the mutual banks - based on parameters not currently established and which, where appropriate, will be notified to the mutual banks in the coming years.

Bearing in mind the foregoing, at December 31, 2023 Iccrea Banca had recognized a provision for risks and charges in the total amount of €70 million (€68 million discounted value) in respect of the commitments undertaken, namely:

- €30 million in respect of the amount to be paid to the mutual banks upon signing the exclusivity contract;

[41] Exclusive agreement signed on September 15, 2023.

[42] Sale agreement signed on September 14, 2023.

- €40 million (€38 million discounted value) in respect of the amount to be paid upon achievement of qualitative and quantitative objectives measured in the 2024-2028 period, the achievement of which, based on the evidence available to date, is considered highly probable.

With regard to the potential additional €250 million, given the full discretion of Iccrea Banca regarding their payment and the absence of any underlying parameters, only the disclosure on contingent liabilities required by IAS 37 will be provided in the financial statements.

### Promotion and placement agreement for e-money products between Iccrea Banca SpA and the Group mutual banks

During 2022, in the broader context of the strategic reorganization designed to leverage the e-money business of the Group providing for the development of a partnership with FSI Holding SpA,[43] Iccrea Banca and the participating mutual banks signed an agreement for the exclusive promotion and placement of the e-money products.

For the purposes of the financial statements of Iccrea Banca at December 31, 2022, this commercial agreement was examined pursuant to IAS 37 to assess the possible occurrence of the conditions set out in paragraph 68 of that standard. The analysis determined that the overall benefits identified and estimated over the duration of the agreement were such as to enable full coverage of the related unavoidable costs.

In light of the growth that has generally characterized the e-money business and, in particular, the performance of BCC Pay, on July 14, 2023 the Banco BPM Group signed an agreement with the ICBG and FSI for the establishment of a strategic partnership to develop of a new independent Italian digital payments operator. The agreement provides for the transfer of the e-money operations of the Banco BPM Group to BCC Pay, against payment of mixed consideration (to the Banco BPM Group) in the form of cash and shares issued by Pay Holding (the parent company of BCC Pay). Prior to the entry of the Banco BPM Group, BCC Pay will distribute reserves to the two shareholders (Iccrea Banca and FSI) in the total amount of €100 million, of which 40% to Iccrea Banca and 60% to FSI.

The transaction affects the assumptions on the basis of which the future commitment undertaken by Iccrea Banca in respect of the mutual banks with regard to performance bonuses was previously assessed. This must also be evaluated in light of the decision taken by Iccrea Banca to pay an additional €10 million in compensation between 2024 and 2025 beyond that previously agreed.

The new circumstances resulting from the entry of the Banco BPM Group into the partnership - pending the definition of the new industrial plans – have also underscored the need for new investments, especially in the IT sector, by BCC Pay, making payment of the dividends assumed for the purposes of the IAS 37 analysis conducted in 2022 unlikely. BCC Pay also redefined its organizational structure in 2023, thereby eliminating the need for a series of services provided on an outsourcing basis by Iccrea Banca, whose estimated fees were part of the aforementioned analysis.

In view of the foregoing, the new analysis conducted found that the conditions envisaged by IAS 37, paragraph 68, had been met, given that the unavoidable costs would exceed the economic benefits of the arrangement, largely as a result of payment of the performance bonuses and "extra-bonuses" agreed with the mutual banks over the course of the arrangement. Accordingly, for the purposes of the financial statements at December 31, 2023, a specific provision for risks and charges was recognized in the discounted amount of €54.3 million. This provision will be subject to periodic redetermination based on available information.

### Disposal of correspondent bank operations

On December 1, 2023 Iccrea Banca and AllFunds Bank, one of the world's leading B2B WealthTech platforms in the funds industry, signed an agreement under which AllFunds acquired the correspondent bank operations of Iccrea Banca, which had already been reclassified and measured in accordance with IFRS 5 as at September 30, 2023. Among other things, the agreement provides for Iccrea Banca to grant commercial exclusivity to the buyer for five years, renewable for a further five at the buyer's discretion.

The price paid to Iccrea for the sale of the correspondent bank operations was €100 million. The difference between the value of the net assets sold and this consideration was recognized through profit or loss. It is expected that the price will be subject to adjustment in favor of Iccrea based on the business volumes produced. The agreement also provides for a claw-back clause in favor of AllFunds, the exercise of which is linked not only to underperformance on

[43] The overall operation was discussed in the financial statements at December 31, 2022, to which readers are referred for more information.

volumes but also to the withdrawal from the sub-placement agreement of a significant proportion of the participating mutual banks.

At the reporting date, the fair value of the potential price adjustments reported above was not quantifiable in the absence of the conditions for their measurement.

### Spinoff of Lucrezia Romana property from BCC Sinergia SpA to Iccrea Banca SpA

As part of the process of rationalizing investments and reorganizing the Group, an Operations Strategy initiative was developed to create a new Group operations and back office model, with the centralization of these operations in a single hub.

As part of these changes, the Parent Company decided to transfer the “Lucrezia Romana property” from BCC Sinergia to Iccrea Banca. The objective of the demerger is to separate the Lucrezia Romana property owned by BCC Sinergia from the related services provided, as the property is also an asset instrumental to the performance of the activities of the Parent Company and in which its registered office has already been established.

In 2023, with effect from October 1 - following specific authorization from the ECB - the Lucrezia Romana property was spun off with the transfer to Iccrea Banca of property, plant and equipment relating to the property itself, as well as the service contracts in place between BCC Sinergia and the companies with work space in the Lucrezia Romana facilities for the provision of space and service management services within Lucrezia Romana property complex. The operation was accounted for on a book-value basis in the financial statements of Iccrea Banca, in accordance with the provisions governing business combinations under common control. More specifically, in the financial statements of Iccrea Banca, the value of the investment was reduced in proportion to the net value of the property complex. The difference between the values transferred and the reduction of the investment led to an increase in the equity of Iccrea Banca (goodwill). The transaction involved the recognition in the bank’s balance sheet of assets (land, building, systems, non-current assets under development) in the amount of €87.3 million.

Subsequently to the spinoff, an assessment was begun to appraise the expected useful life of the property. This assessment also took account of the numerous energy and structural redevelopment interventions implemented over the last few years. For this purpose, a qualified external technician was specifically engaged to perform the appraisal. The analysis found that the new expected useful life attributed to the Lucrezia Romana property is an estimated 49 years.

## 2. REFERRALS TO OTHER PARTS OF THE FINANCIAL STATEMENTS

This separate Report on Operations only includes comments on developments in Parent Company operations. For all other information required under the provisions of law and regulations, reference should be made - in the context of the discussion of the specific issues – to the notes to these individual financial statements or to the consolidated financial statements and the related Report on Operations.

In particular, please see to the notes to these separate financial statements with regard to:

- information on the Bank's transactions with related parties, which are reported in Part H;
- information on financial and operational risks, which are discussed in Part E;
- information on capital, which is reported in Part F.

Readers should instead consult the Report on Operations in the consolidated financial statements with regard to:

- information on the main risks and uncertainties;
- events subsequent to the balance sheet date and the outlook for operations.

Finally, please consult the Report on Operations in the consolidated financial statements for more information on the 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.

## 3. PROPOSED ALLOCATION OF PROFIT

With regard to the profit for the year, which amounts to €87,919,619, we propose the following allocation to the shareholders:

- €8,791,962 to the legal reserve (in accordance with the provisions of the articles of association;
- €79,127,657 to retained earnings.

# SEPARATE FINANCIAL STATEMENTS

## BALANCE SHEET

| Assets | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| 10. | Cash and cash equivalents | 4,759,313,829 | 960,917,278 |
| 20. | Financial assets measured at fair value through profit or loss | 1,977,687,454 | 2,521,624,401 |
| | a) financial assets held for trading | 1,164,657,782 | 1,744,131,032 |
| | b) financial assets designated as at fair value | 338,400,660 | 270,820,313 |
| | c) other financial assets mandatorily measured at fair value | 474,629,012 | 506,673,056 |
| 30. | Financial assets measured at fair value through other comprehensive income | 1,224,307,583 | 1,079,476,229 |
| 40. | Financial assets measured at amortized cost | 48,502,907,969 | 51,073,505,107 |
| | a) due from banks | 30,806,297,172 | 35,653,688,274 |
| | b) loans to customers | 17,696,610,797 | 15,419,816,833 |
| 50. | Hedging derivatives | 163,308,767 | 570,701,599 |
| 60. | Value adjustments of financial assets hedged generically (+/-) | (890,672) | (1,100,603) |
| 70. | Equity investments | 1,372,144,791 | 1,568,622,725 |
| 80. | Property, plant and equipment | 90,769,694 | 2,501,944 |
| 90. | Intangible assets | 247,185 | 535,517 |
| 100. | Tax assets | 51,136,301 | 67,076,673 |
| | a) current | 5,780,790 | 35,059,681 |
| | b) deferred | 45,355,511 | 32,016,992 |
| 110. | Non-current assets and disposal groups held for sale | 142,678,299 | 5,437,988 |
| 120. | Other assets | 835,607,179 | 642,509,058 |
| | **Total assets** | **59,119,218,379** | **58,491,807,917** |

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| Liabilities and shareholders' equity | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| 10. | Financial liabilities measured at amortized cost | 54,800,755,692 | 53,682,926,167 |
| | a) due to banks | 34,677,582,525 | 41,593,507,994 |
| | b) due to customers | 14,926,306,566 | 8,663,966,010 |
| | c) securities issued | 5,196,866,602 | 3,425,452,163 |
| 20. | Financial liabilities held for trading | 1,048,213,774 | 1,729,243,570 |
| 30. | Financial liabilities designated as at fair value | 387,148,183 | 352,483,757 |
| 40. | Hedging derivatives | 88,522,993 | 165,493,576 |
| 60. | Tax liabilities | 20,027,560 | 3,303,751 |
| | a) current | 13,552,614 | - |
| | b) deferred | 6,474,946 | 3,303,751 |
| 80. | Other liabilities | 377,668,107 | 403,601,765 |
| 90. | Employee termination benefits | 12,216,061 | 12,649,088 |
| 100. | Provisions for risks and charges: | 155,566,741 | 40,146,602 |
| | a) commitments and guarantees granted | 23,893,567 | 30,799,479 |
| | c) other provisions for risks and charges | 131,673,174 | 9,347,123 |
| 110. | Valuation reserves | 51,464,477 | 18,548,317 |
| 140. | Reserves | 682,588,314 | 236,491,035 |
| 150. | Share premium reserve | 6,081,405 | 6,081,405 |
| 160. | Share capital | 1,401,045,452 | 1,401,045,452 |
| 180. | Net profit (loss) for the period (+/-) | 87,919,619 | 439,793,433 |
| | **Total liabilities and shareholders' equity** | **59,119,218,379** | **58,491,807,917** |

## INCOME STATEMENT

| | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| 10. | Interest and similar income | 1,787,288,500 | 566,276,555 |
| | of which: interest income calculated using effective interest rate method | 1,722,440,039 | 687,874,420 |
| 20. | Interest and similar expense | (1,674,233,302) | (334,292,319) |
| **30.** | **Net interest income** | **113,055,198** | **231,984,236** |
| 40. | Fee and commission income | 614,344,653 | 435,100,068 |
| 50. | Fee and commission expense | (558,481,940) | (362,999,774) |
| **60.** | **Net fee and commission income (expense)** | **55,862,713** | **72,100,295** |
| 70. | Dividends and similar income | 140,341,370 | 13,475,218 |
| 80. | Net gain (loss) on trading activities | 17,681,292 | 13,224,567 |
| 90. | Net gain (loss) on hedging activities | 7,273,981 | (4,945,964) |
| 100. | Net gain (loss) on the disposal or repurchase of: | 37,323,155 | 25,442,385 |
| | a) financial assets measured at amortized cost | 38,931,427 | 34,916,698 |
| | b) financial assets measured at fair value through other comprehensive income | (1,740,404) | (9,357,160) |
| | c) financial liabilities | 132,132 | (117,152) |
| 110. | Net gain (loss) on financial assets and liabilities measured at fair value through profit or loss | (6,451,267) | (44,500,252) |
| | a) financial assets and liabilities designated as at fair value | (4,915,789) | (4,546,547) |
| | b) other financial assets mandatorily measured at fair value | (1,535,478) | (39,953,706) |
| **120.** | **Gross income** | **365,086,443** | **306,780,484** |
| 130. | Net losses/recoveries for credit risk in respect of: | (25,845,400) | 22,590,665 |
| | a) financial assets measured at amortized cost | (25,914,753) | 23,656,883 |
| | b) financial assets measured at fair value through other comprehensive income | 69,353 | (1,066,218) |
| **150.** | **Net income (loss) from financial operations** | **339,241,043** | **329,371,149** |
| 160. | Administrative expenses: | (482,711,099) | (462,180,453) |
| | a) personnel expenses | (214,064,848) | (197,078,739) |
| | b) other administrative expenses | (268,646,251) | (265,101,714) |
| 170. | Net provisions for risks and charges | (115,142,089) | 1,813,325 |
| | a) commitments and guarantees granted | 6,905,912 | 1,172,059 |
| | b) net provisions for other risk and charges | (122,048,001) | 641,266 |
| 180. | Net adjustments of property plant and equipment | (1,703,318) | (1,959,582) |
| 190. | Net adjustments of intangible assets | (288,332) | (286,545) |
| 200. | Other operating expenses/income | 217,593,630 | 114,169,608 |
| **210.** | **Operating expenses** | **(382,251,208)** | **(348,443,648)** |
| 220. | Profit (loss) from equity investments | 9,803,180 | 437,835,724 |
| **260.** | **Profit (loss) before tax on continuing operations** | **(33,206,984)** | **418,763,225** |
| 270. | Income tax expense from continuing operations | 42,026,913 | 13,854,028 |
| **280.** | **Profit (loss) on continuing operations after tax** | **8,819,929** | **432,617,253** |
| 290 | Profit (loss) on discontinued operations after tax | 79,099,689 | 7,176,179 |
| **300.** | **Profit (loss) for the period** | **87,919,619** | **439,793,433** |

## STATEMENT OF COMPREHENSIVE INCOME

| | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **10.** | **Net profit (loss) for the period** | **87,919,619** | **439,793,433** |
| | **Other comprehensive income net of taxes not recyclable to profit or loss** | **7,451,381** | **562,633** |
| 20. | Equity securities designated as at fair value through other comprehensive income | 7,956,051 | (935,324) |
| 70. | Defined benefit plans | (504,670) | 1,497,956 |
| | **Other comprehensive income net of taxes recyclable to profit or loss** | **25,464,779** | **(27,367,400)** |
| 120. | Cash flow hedges | 17,470,213 | (17,373,139) |
| 140. | Financial assets (other than equity securities) measured at fair value through other comprehensive income | 7,994,566 | (9,994,261) |
| **170.** | **Total other comprehensive income net of taxes** | **32,916,160** | **(26,804,767)** |
| **180.** | **Comprehensive income (item 10+170)** | **120,835,779** | **412,988,666** |

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## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT DECEMBER 31, 2023

| | As at 31/12/2022 | Change in opening balance | As at 1/1/2023 | Allocation of net profit of previous year | | Change in the period | | | | | | | | | Shareholders' equity at 31/12/2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | | |
| | | | | Reserves | Dividends and other destinations | Change in reserves | Issue of new shares | Purchase of treasury | Interim dividends | Extraordinary dividends | Change in equity instruments | Derivatives on own shares | Stock options | Comprehensive income at 31/1/2023 | |
| Share capital: | | | | | | | | | | | | | | | |
| a) ordinary shares | 1,401,045,452 | X | 1,401,045,452 | - | X | X | - | - | X | X | X | X | X | X | 1,401,045,452 |
| b) other shares | - | X | - | - | X | X | - | - | X | X | X | X | X | X | - |
| Share premium reserve | 6,081,405 | X | 6,081,405 | - | X | - | - | X | X | X | X | X | X | X | 6,081,405 |
| Reserves: | | | | | | | | | | | | | | | |
| a) earnings | 236,491,035 | - | 236,491,035 | 439,293,433 | X | 6,803,846 | - | - | X | - | X | X | X | X | 682,588,314 |
| b) other | - | - | - | - | X | - | - | X | X | - | X | - | - | X | - |
| Valuation reserves | 18,548,317 | - | 18,548,317 | - | X | - | X | X | X | X | X | X | X | 32,916,160 | 51,464,477 |
| Equity instruments | - | X | - | X | X | X | X | X | X | X | - | X | X | X | - |
| Treasury shares | - | X | - | X | X | X | - | - | X | X | X | X | X | X | - |
| Net profit (loss) for the period | 439,793,433 | - | 439,793,433 | (439,293,433) | (500,000) | X | X | X | X | X | X | X | X | 87,919,619 | 87,919,619 |
| **Total shareholders' equity** | **2,101,959,642** | **-** | **2,101,959,642** | **-** | **(500,000)** | **6,803,846** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **120,835,779** | **2,229,099,267** |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT DECEMBER 31, 2022

| | | | | Allocation of net profit of previous year | | Change in the period | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Equity transactions | | | | | | | | |
| | As at 31/12/2021 | Change in opening balance | As at 1/1/2022 | Reserves | Dividends and other allocations | Change in reserves | Issue of new shares | Purchase of treasury . | Interim dividends | Extraordinary dividends | Change in equity instruments | Derivatives on own shares | Stock options | Comprehensive income at 31/12/2022 | Shareholders' equity at 31/12/2022 |
| Share capital: | | | | | | | | | | | | | | | |
| a) ordinary shares | 1,401,045,452 | X | 1,401,045,452 | - | X | X | - | - | X | X | X | X | X | X | 1,401,045,452 |
| b) other shares | - | X | - | - | X | X | - | - | X | X | X | X | X | X | - |
| Share premium reserve | 6,081,405 | X | 6,081,405 | - | X | - | - | X | X | X | X | X | X | X | 6,081,405 |
| Reserves: | | | | | | | | | | | | | | | |
| a) earnings | 183,455,648 | - | 183,455,648 | 53,177,917 | X | (142,530) | - | - | X | - | X | X | X | X | 236,491,035 |
| b) other | - | - | - | - | X | - | - | X | X | - | X | - | - | X | - |
| Valuation reserves | 45,353,084 | - | 45,353,084 | - | X | - | X | X | X | X | X | X | X | (26,804,767) | 18,548,317 |
| Equity instruments | - | X | - | X | X | X | X | X | X | X | - | X | X | X | - |
| Treasury shares | - | X | - | X | X | X | - | - | X | X | X | X | X | X | - |
| Net profit (loss) for the period | 53,177,917 | - | 53,177,917 | (53,177,917) | - | X | X | X | X | X | X | X | X | 439,793,433 | 439,793,433 |
| **Total shareholders' equity** | **1,689,113,506** | **-** | **1,689,113,506** | **-** | **-** | **(142,530)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **412,988,666** | **2,101,959,642** |

## STATEMENT OF CASH FLOWS: INDIRECT METHOD

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **A. OPERATING ACTIVITIES** | | |
| **1. Operations** | **439,210,379** | **(436,818,960)** |
| - net profit (loss) for the period (+/-) | 87,919,619 | 439,793,433 |
| - gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (-/+) | (25,025,227) | 41,860,815 |
| - gains (losses) on hedging activities (-/+) | (7,273,981) | 4,945,964 |
| - net losses/recoveries on impairment (+/-) | 25,845,400 | (24,654,942) |
| - net adjustments of property plant and equipment and intangible assets (+/-) | 1,991,650 | 2,246,127 |
| - net provisions for risks and charges and other costs/revenues (+/-) | 111,807,157 | (439,581,027) |
| - taxes, duties and tax credits to be settled (+/-) | (41,056,262) | (13,724,210) |
| - other adjustments (+/-) | 285,002,024 | (447,705,121) |
| **2. Net cash flows from/used in financial assets** | **3,388,892,574** | **(4,136,526,185)** |
| - financial assets held for trading | 614,442,689 | (1,280,253,884) |
| - financial assets designated as at fair value | (64,515,757) | 6,688,082 |
| - other assets mandatorily measured at fair value | 28,085,054 | (15,683,736) |
| - financial assets measured at fair through other comprehensive income | (128,768,345) | (579,041,223) |
| - financial assets measured at amortized cost | 2,805,619,625 | (3,011,230,783) |
| - other assets | 134,029,308 | 742,995,360 |
| **3. Net cash flows from/used in financial liabilities** | **(139,103,051)** | **4,459,811,813** |
| - financial liabilities measured at amortized cost | 654,741,697 | 3,325,322,550 |
| - financial liabilities held for trading | (681,005,514) | 1,298,321,753 |
| - financial liabilities designated as at fair value | 25,602,017 | 30,521,767 |
| - other liabilities | (138,441,251) | (194,354,257) |
| **Net cash flows from/used in operating activities (A)** | **3,688,999,903** | **(113,533,331)** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flows from** | **445,469,145** | **270,777,148** |
| - sale of equity investments | 316,672,153 | 270,000,000 |
| - dividends on equity investments | 128,796,993 | 777,148 |
| **2. Cash flows used in** | **(335,572,497)** | **(410,908,456)** |
| - purchases of equity investments | (247,034,528) | (410,900,468) |
| - purchases of property plant and equipment | (88,537,970) | (7,988) |
| **Net cash flows from/used in investing activities (B)** | **109,896,648** | **(140,131,307)** |
| **C. FINANCING ACTIVITIES** | | |
| - distribution of dividends and other | (500,000) | - |
| **Net cash flows from/used in financing activities C(+/-)** | **(500,000)** | **-** |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (D)=A+/-B+/-C** | **3,798,396,551** | **(253,664,639)** |

*Key:*
*(+) generated*
*(-) used*

## RECONCILIATION

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Cash and cash equivalents at beginning of period (E) | 960,917,278 | 1,214,581,917 |
| Net increase/decrease in cash and cash equivalents (D) | 3,798,396,551 | (253,664,639) |
| **Cash and cash equivalents at end of period (G)=E+/-D+/-F** | **4,759,313,829** | **960,917,278** |

# 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 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.

The IASs/IFRSs applied in preparing the financial statements were those endorsed and in force 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, 2023:

| ENDORSEMENT REGULATION | IAS/IFRS AND SHORT DESCRIPTION | ENTRY INTO FORCE |
|---|---|---|
| 2036/2021 | **IFRS 17 Insurance contracts**<br>The standard seeks to improve investor understanding of the risk exposure, profitability and financial position of insurers.<br>On June 25, 2020, the IASB published the following amendments to IFRS 17:<br>• a reduction in costs with the simplification of certain requirements of the accounting standards;<br>• the simplification of statements of financial performance;<br>• the deferral of the effective date until 2023. | Annual reporting periods beginning on or after January 1, 2023. |
| 357/2022 | **Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies**<br>The amendments to IAS 1 are intended to improve disclosure of accounting policies and require companies to disclose material accounting policy information for their financial statements. | Annual reporting periods beginning on or after June 1, 2023. Early application is permitted. |
| 357/2022 | **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates**<br>The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. | Annual reporting periods beginning on or after June 1, 2023. Early application is permitted. |
| 1392/2022 | **Amendments to IAS 12 (Income Taxes)**<br>The amendments to IAS 12 are intended to specify how to account for deferred tax on transactions such as leases and decommissioning obligations. | Annual reporting periods beginning on or after June 1, 2023. Early application is permitted. |
| 1491/2022 | **Amendment of transition requirements of IFRS 17**<br>The amendment of the transition requirements of IFRS 17 allows entities to eliminate one-off classification differences in comparative information for the previous period at the date of initial application of IFRS 17 and IFRS 9 Financial Instruments. | Annual reporting periods beginning on or after January 1, 2023. |
| 2468/2023 | **Amendments to IAS 12 – Income taxes – International tax reform – Pillar Two model rules**<br>The changes, relating to the application of the provisions of Pillar Two of the OECD (so-called Global minimum tax - GMT) and to the additional financial statement information, provide for:<br>• the introduction of a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules (the provisions of which entered force as from December 31, 2023 for Italy, with application from 2024) for entities affected by the International Tax Reform immediately after the publication of the amendments by the IASB and retrospectively in accordance with IAS 8.<br>• additional disclosure requirements from the financial statements for annual reporting period starting on or after January 1, 2023.<br>During periods when Pillar 2 legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. | Annual reporting periods beginning on or after January 1, 2023. |

In relation to the amendments to IAS 12 endorsed with Regulation (EU) 2468/2023, quantitative analysis is still in progress, pending the definition of the implementation of the GMT legislation and coordination with the "dynamic" recommendations developed within the Inclusive Framework. The adoption of the amendments to IAS 12 had no impact on the Group's accounts at December 31, 2023.

The amendments and additions provided for in the endorsed amendments above did not have a material impact on the financial position or performance of the Bank.

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 |
|---|---|---|
| 2822/2023 | **Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current**<br>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:<br>• specify that the right to defer settlement must exist at the end of the reporting period;<br>• clarify that the classification is unaffected by management's intentions or expectations regarding the possibility of exercising the right to defer settlement;<br>• clarify how the terms of a liability impact its classification; and<br>• 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**<br>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. |
| To be determined | **Amendments to IAS 7 Statement of cash flows and IFRS 7 Financial instruments: disclosures**<br>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. |
| To be determined | **Amendments to IAS 21 Effects of changes in exchange rates**<br>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. |

Other rules issued by the IASB that have not yet entered force are not expected to have an impact on the financial position and performance of the Bank.

## SECTION 2: GENERAL PREPARATION PRINCIPLES

The financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' 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 Bank.

The accounts presented in the financial statements correspond to those in the company accounts.

In compliance with Article 5 of Legislative Decree 38/2005, the financial statements use the euro as the reporting currency. More specifically, the schedules for the balance sheet and income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows are drawn up in euros, while the explanatory notes, unless otherwise indicated, are drawn up in thousands of euros. For comparative purposes, the financial statements and, where required, the tables in the explanatory notes also report data for the previous period.

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.

These interim financial statements have been prepared in accordance with the format and rules for the preparation of bank financial statements set out in Circular no. 262 of December 22, 2005 – 8th update - issued by the Bank of Italy in the exercise of the powers established by Article 43 of Legislative Decree 136/2015, as well as with the Communication of the Bank of Italy of March 14, 2023 - Supplement to the provisions of Circular no. 262 “Bank financial statements: formats and rules of preparation” concerning the impact of COVID-19 and the measures to support the economy.[44]

The preparation of the financial statements also considered the documents issued by the European Securities and Markets Authority (ESMA) during 2022 - to the extent applicable - with specific regard to the Russia-Ukraine crisis and the application of IFRS 17, regarding which please see the discussion provided in the 2022 Annual Report for further information, and those issued during 2023. In particular, in October 2023, ESMA published its Statement on Common European Enforcement Priorities for 2023 annual reports.

Similar to 2022, the regulator’s recommendations for IFRS financial reporting place great emphasis on climate-related issues, as well as the impacts of the current macroeconomic environment. They also address the initial application of IFRS 17 “Insurance Contracts” from January 1, 2023, reiterating the importance of transparency concerning material judgments and assumptions. Implementation of the amendments to the IAS 12 International Tax Reform Pillar Two Model Rules also receives a quick mention. Issuers are reminded to provide the disclosures requested in the notes for the period between when of the OECD Pillar II rules are enacted or substantively enacted and their entry into force.

Management is not aware of any significant uncertainties, events or conditions that could engender serious concerns about the Bank’s ability to continue operating as a going concern in the foreseeable future, also taking account of the cross-guarantee scheme on which the Iccrea Cooperative Banking Group is based, a more detailed discussion of which is provided in the Report on Operations. The uncertainties surrounding the current economic environment, even if they have generated/are likely to generate impacts on the financial statements, do not undermine the going-concern assumption. In light of this information and these assessments, and with regard to the information provided in Document 2 of February 6, 2009 and Document 4 of March 3, 2010, issued jointly by the Bank of Italy, CONSOB and ISVAP, as updated, the Bank has a reasonable expectation of continuing to operate as a going concern in the foreseeable future and has therefore prepared the financial statements at December 31, 2023 on basis of the going-concern assumption.

[44] See the update of the amendments to Circular no. 262 - Bank financial statements: formats and rules of preparation concerning the impact of COVID-19 and the measures to support the economy.

## 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 shareholders' 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, using the tables provided for in Bank of Italy Circular no. 262/2005, 8th update of November 17, 2022, as well as the Communication of the Bank of Italy of March 14, 2023 "Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy.

## SECTION 3 –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 March 28, 2024, with the exceptions indicated below, no events occurred that would entail a modification of the financial data approved at that meeting.

## SECTION 4 – OTHER MATTERS

### Consolidated tax mechanism option

Iccrea Banca SpA and the Group subsidiaries belonging to the so-called “direct scope” (the former Iccrea Banking Group) 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.

### 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 interim separate 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 (es: 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 tax credits under the “Cure Italy” and “Save Italy” Decrees;
- the estimation and assumptions concerning the recoverability of deferred tax assets;
- the determination of discount rates for lease liabilities;
- the quantification of provisions for personnel and provisions for legal and tax risks and charges.

In determining the recoverability of the carrying amount of the most significant items in the financial statements mentioned above, the Bank referred to the forecasts contained in the 2024-2026 strategic corporate plan, drawn up consistently with the guidelines established by the Parent Company as well as with the strategic ambitions set out in the 2024-2026 Group strategic corporate plan.

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 notes to the financial statements.

By their nature, estimates may vary from year to year and 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 availability of new information or the acquisition of greater experience. In particular, taking account of the high uncertainty attributable to i) the evolution of the Russia-Ukraine conflict and ii) ongoing inflationary dynamics and the associated unpredictable consequences for macroeconomic developments, it is not possible to rule out the possibility of needing to review the estimates of financial statement items in 2024 in the light of any new information that will become available.

More detailed information on the main issues and variables in the market is contained in the Report on Operations.

The following summarizes management's operational choices concerning the primary circumstances in which subjective judgment is required.

### Calculating the ECL for performing credit exposures

At 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.

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.

As noted above, 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.

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 climate & environmental (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 ordinary updating of the macroeconomic scenarios was applied in accordance with the most update of those scenarios (September 2023).

### Impairment testing of equity investments

In compliance with IAS 36, at each reporting date, the Bank verifies that there is no objective evidence that the carrying amounts of equity investments and goodwill is not recoverable on the basis of the common guidelines, criteria and methodological models developed by the Parent Company.

This assessment found no evidence of any impairment.

### Probability testing of DTAs

DTAs other than those referred to in Law 214/2011 are recognized to the extent that their recovery is probable. This probability was assessed using the probability test on the basis of the ability of the companies participating in the tax consolidation mechanism (the companies in the direct scope of consolidation) to generate positive taxable income.

### Rights of use in leases

Similarly to the treatment of assets owned outright, IFRS 16 specifies that the right-of-use assets acquired through leases must undergo testing to ascertain if there is evidence that they have incurred an impairment loss. If so, the carrying amount of the asset is compared against its recoverable amount, which is equal to the greater of the fair value and the value in use - the latter understood as the present value of future cash flows originating from the asset. Any adjustments are recognized through profit or loss.

In assessing whether there is any indication that an asset may be impaired, IAS 36 requires an entity to consider the following:

- internal sources of information, such as signs of obsolescence or physical damage of an asset, restructuring plans and closures of branches;
- external sources of information, such as the increase in interest rates or other market rates of return on investments that could cause a significant decrease in the recoverable amount of the asset.

As at December 31, 2023 the Bank had checked:

- developments in the rates used to discount lease payments;
- the presence of unused leased properties.

At the reporting date, there was no evidence of a deterioration in the recoverable value of the right-of-use assets recognized in respect of leases.

### 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 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.

### 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, as discussed in in the reports on operations accompanying these and the previous financial statements, which readers are invited to consult for further information.

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.

### Windfall levy introduced with Article 26 of Decree Law 104 of August 10, 2023 ("Decree 104"), as amended in ratification

Decree Law 104 of August 10, 2023 ratified with amendments with Law 136 of October 9, 2023, levies, for 2023 only, an extraordinary windfall tax on banks determined in the amount of 40% of the net interest income – as reported under item 30 of individual financial statements for the 2023 financial year – at least 10% in excess of the net interest income reported for the 2021 financial year. The rules provide for a cap on the tax of 0.26% of the overall amount of risk-weighted assets (RWA) as at December 31, 2022, determined pursuant to paragraphs 3 and 4 of Article 92 of Regulation (EU) no. 575/2013. Paragraph 5-bis, introduced at the time of ratification, also provides that instead of paying the amount as determined above, banks that fall within the scope of application of the levy may, upon approval of the financial statements for the 2023 financial year, make a provision to a non-distributable equity reserve of an amount equal to two and a half times the amount of the tax due. For banks reporting losses or profits lower than the amount indicated above, the reserve shall be established or supplemented using profits for previous years, starting from the most recent, and, in priority order, other available equity reserves.

With specific regard to mutual banks, the third sentence of paragraph 5-bis provides that the profits allocated to the legal reserve pursuant to Article 37, paragraph 1, of the Consolidated Banking Act (Legislative Decree 385 of September 1, 1993) shall be considered to be allocated to the non-distributable reserve.

As regards any accounting impacts connected with the application of foregoing provisions, note that the special levy is not comparable to an income tax pursuant to IAS 12, as it is applied to the incremental change in net interest income (or, upon reaching the cap, to risk-weighted assets). It therefore falls within the scope of application of IFRIC 21 “Levies”, which requires the recognition of the tax in profit or loss when the “obligating event” that gives rise to the liability to pay the levy (i.e. the specific activity or action that triggers the payment of the levy). In this case, the obligating event is the recognition of an amount for 2023 net interest income that exceeds the threshold specified in the legislation.

In this regard, the Banks does not have a tax base for the purposes of the special levy.

Accordingly, no charge for the aforementioned tax was recognized in the income statement at the end of the financial year.

### Global minimum tax

With the publication in the *Gazzetta Ufficiale* of Legislative Decree 209 of December 27, 2023,[45] 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.

With regard to additional implementation and coordination issues, the provisions of the legislative decree refer to the “dynamic” recommendations that may be developed within the Inclusive Framework and to a number of ministerial decrees that will have to be approved in the coming months. This circumstance, with specific reference to the implementing legislation relating to the national minimum tax[46], still leaves open a number of operational uncertainties regarding, for example, the exact definition of the companies in scope. This latter issue is currently the focus of discussions (taking account, among other things and to the extent relevant here, of the specific features of cooperative banking groups) between industry associations and the competent authorities.

Without prejudice to the fact that the first requirements that the companies in scope will have to comply with in terms of communications, returns and payments will apply to reporting periods after the financial year ended December 31, 2023, there are specific disclosure obligations governed by IAS 12 for the purposes of the financial statements at December 31, 2023.

In compliance with the provisions regarding disclosure requirements, we note the current regulatory framework - pending enactment of the aforementioned implementation and/or coordination measures – has a number of interpretative uncertainties, especially with regard to the scope of application of the rules referred to above.

More specifically, there are reasonable grounds to exclude cooperative banking groups (and specifically the various types of affiliated mutual bank) from the subjective scope of application of the GMT, taking account of the specific regulatory and functional nature of these groups. In particular, in agreement with the parent companies of the cooperative banking groups, Federcasse has proposed – in discussions in institutional circles – an interpretation of the relevant legislation that underscores the fact that the Parent Company does not have a controlling interest in the mutual banks.

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

[46] As noted, the tax will be applicable in most cases as from 2024.

Considering this peculiar circumstance, the minimum tax should therefore not apply in the relationships between the Parent Company and the affiliated mutual banks, as participatory control in an essential precondition for the applicability and operation of the GMT.

However, the GMT rules do apply to Iccrea Banca and to the companies within the direct scope connected by equity interests relationships pursuant to Article 2359, first paragraph, no. 1, of the Italian Civil Code

### 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[47] – 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, 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.

### Covered bonds

[47] Adjusted, depending on the selected business model, by positive/negative capitalizable components.

The Bank participated as an Originator in an issue of covered bonds (guaranteed bank bonds) started by the Group in 2021. This Program, the first in the mutual bank industry in Italy, involves Iccrea Banca as the issuer of covered bonds and of certain of the Group's mutual banks as assignors and servicers of a portfolio of mortgages of primary credit quality pledged to secure the bonds issued.

As part of this multi-originator transaction, the Bank sold high quality assets to a vehicle. 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 Bank 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 Bank loses 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 Bank continues 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. The Bank also recognizes a fictitious financial liability against the consideration received for the sale, disburses the subordinated limited-recourse loan to the Vehicle (which is offset against the fictitious liability for the purposes of presentation in the financial statements), performs the periodic measurement of the offsetting receivables through profit or loss, recognizes the costs of the transaction through profit or loss and recognizes under guarantees granted both the obligation to restore the assets transferred to the Vehicle in the event of impairment, and – given that these are "multi-originator" transactions - its exposure arising from the joint and several nature of the obligation to cover losses that may arise on the assets transferred.

### Other issues

The financial statements have been audited by Mazars Italia 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.

## A.2 – THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section sets out the accounting policies adopted in preparing the 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 Bank 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 Iccrea 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 Bank'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 item 80. “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 110. “ 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 70. “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 Bank’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 while the value corresponding to the amortized cost of the assets measured at fair value through other comprehensive income is recognized through profit or loss. 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 10. “Interest and similar income”.

Writedowns and writebacks for credit risk and the recognition of an impairment loss are recognized under the item 130 “ 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 under item 70. “Dividends and similar income” 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 Bank'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;
- 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;
- 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 10. "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 100 "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 Bank 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.

### Hedging of assets and liability portfolios

The hedging of asset and liability portfolios (“macrohedging”) and the corresponding recognition of the transactions is possible subject to:

- identification of the portfolio subject to hedging and bucketing of the portfolio based on the frequency of payment of the installments and the expiry of the individual positions forming the portfolio;
- designation of the notional amount being hedged;
- identification of the level of the interest rate being hedged;
- definition and designation of the hedging instrument(s);
- measurement of the effectiveness of the hedging relationship.

The portfolio being hedged against interest rate risk may contain both financial assets and liabilities that share exposure to interest rate risk. Such a portfolio is analyzed through a bucketing process based on the contractually specified payment deadlines in order to determine the most appropriate hedging instrument for optimizing interest rate risk management and estimating pre-payment events.

The macrohedging transactions carried out exclusively involve portfolios of financial assets represented by fixed-rate loans or variable-rate loans with a minimum/maximum rate charged to customers.

### 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.

Changes in the fair value of the hedged instruments and the hedging instruments in a fair value hedge transaction are accounted for under item 90 of the income statement "Net gain (loss) on hedging activities". The same item also includes the ineffective portion or overhedging of cash flow hedging derivatives measured with respect to the hypothetical derivative (ineffective portion of the hedge).

In the case of macro fair value hedges, changes in fair value measured with respect to the interest rate risk of the hedged assets or liabilities are recognized in the balance sheet, respectively, under item 60. "Value adjustments of financial assets hedged generically" or 50. " Value adjustments of financial liabilities hedged generically", against an entry in item 90 of the income statement "Net gain (loss) on hedging activities".

## 5 – Equity investments

### Classification

The item includes equity investments in subsidiaries, associates and joint ventures. Immaterial entities[48] 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

[48] 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.

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 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 in subsidiaries, joint ventures and associates are recognized in the income statement under the item 220 "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 220.

### 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 Bank 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 ("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 Bank 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.

The right of use is recognized under assets when the asset involved in the lease is actually available for use.

### 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.

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 Bank 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 180. “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 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 250 “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. The goodwill is recognized in an amount equal to the positive difference between the purchase price of the business combination (including transaction costs) 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 each 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 190. “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 240. “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 Bank 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”.

#### 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.

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 company 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.

Lease liabilities are adjusted in the event of a lease modification (e.g. a change in the scope of the contract) that is not recognized/considered as a separate contract.

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 100. “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. 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 under item 80. “Net gain (loss) on trading activities”.

## 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. For more information on the criteria used for determining the fair value, please see section 15 “Other information” and Part A.4 “Fair value disclosure “ of these notes to the financial statements.

### 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 80. “Net gain (loss) on trading activities”. Exchange rate differences relating to the two categories referred to above are recognized in under the item 110. “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 – 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 Bank:

- 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" (item 120. under assets) or "Other liabilities" (item 80. under 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". The associated depreciation, performed over a period that does not exceed the term of the lease, is 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.

The measurement method adopted for 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[49] - 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.

Since the portfolio is revalued based on the current inflation coefficient, the weighted average price between existing holdings and any purchases subsequently is determined consistently, i.e. between comparable quantities.

The fact that the effect of inflation is accounted for on an accrual basis means that:

- net interest income shows the contribution linked both to 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 revaluation of the value of the securities held in the portfolio. This means that, for example, when a non-negligible inversion occurs in the inflation trend, the contribution of inflation-linked BTPs to net interest income could decline due to the amortized cost portion (given by the difference between the amortized cost value of holdings indexed to inflation recorded at time t compared with that recorded at time t-1), which at that point would become negative;
- net interest income may exhibit a certain variability over the 12 months of the year, since the value of the inflation index is typically cyclical and can display substantial seasonal variations. This effect can be particularly marked for securities indexed to the European inflation index ("CPTFEMU"), involving sudden changes in the inflation coefficients, especially in the months of March (negative) and May (positive). The carrying price at amortized cost, as it is calculated - as envisaged under applicable regulation - on the basis of the presumable redemption value, displays the same seasonal variations. In any event, since seasonal variations offset a 12-month time horizon, they do not generate any distortion on an annual basis.

## Determination of impairment

### Financial assets

At each reporting date, the Bank 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;

[49] 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.

- 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 so-called 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;
- 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 are excluded from the application of this criterion.

With regard to the securities portfolio, the functional methodology for staging performing exposures is based solely on quantitative information. Although they consist in comparing the PD/rating class at the origination date and PD/rating class at the reporting date, the approach used makes extensive use of the low credit risk exemption for the purpose of staging exposures, even in the presence of information on credit risk measures at the date of origination. In particular, exposures with a PD less than or equal to a specified threshold at the reporting date are allocated to stage 1. 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.

In order to condition the risk parameters for future macroeconomic scenarios, the Group uses multipliers (or macroeconomic conditioning factors) that, updated periodically, make it possible to obtain projections of changes in the riskiness of the portfolio (PD) and losses generated by default of the debtor counterparties (LGD), based on a defined time horizon and certain reference macroeconomic variables.

For the purpose of applying these multipliers, the Group associates the probability of occurrence on a judgmental basis to each scenario. The probability of occurrence of each scenario are used as weights in the calculation of the average multiplier associated with each calendar year.

With regard to exposures classified in stage 3 (credit-impaired assets), even if the definition of “impaired loans” in IAS 39 and IFRS 9 is substantially the same, the inclusion of forward-looking information, such as the consideration of alternative recovery scenarios, incorporated a number of methodological peculiarities. In particular, scenarios for the sale of credit exposures were considered in connection with possible sales of impaired positions, in line with the company’s objectives for reducing non-performing assets, to which a probability of realization was attributed for consideration in the context of the overall assessments. It follows that, for transferrable non-performing loans, in order to determine the overall expected loss of exposures, the “ordinary” scenario assuming a recovery strategy based on the recovery of receivables through legal action, the enforcement of guarantees, etc., has been accompanied by scenarios that envisage the sale of the loan as a recovery strategy.

Note that in order to factor in the effects of the pandemic in the calculation of impairment, a so-called COVID-19 effect is considered in the determination of impairment, with the aim of considering the effects of the pandemic both on the macroeconomic forecasts that contribute to the determination of the expected credit loss and in the stage allocation process for exposures, with specific treatments of the portfolio subject to economic support measures.

**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 shareholders' 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. 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. In addition, different betas are used for each CGU in consideration of the different risk levels in their respective operational environments.

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 Bank 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 item 40 "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 Bank has recognized in accordance with IFRS 15 (deferred income).

Any losses and value adjustments on such guarantees are reported under item 170 "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.

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.
- 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.

## A.3 – DISCLOSURES ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

Following adoption of IFRS 9, the Bank has not changed the business model it uses to manage its financial assets and, accordingly, no financial assets have been transferred between portfolios.

## 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 adopted a *"Fair value Policy"* that 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, applying the discount rule based on the guarantor's yield curve, 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. 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, as well 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 and yield curves;
- derivatives on interest rates such as the various forms of IRS (IRS plain vanilla, forward starting, amortizing, etc.) 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 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 discounting;
- equity securities are measured at fair value estimated using models applied in valuation practice or using balance sheet, income or mixed methods, the market multiples method 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. Specifically, on the basis of the prices for transactions in these tax credits effectively carried out in the most recent reference quarter, separating transactions involving the mutual banks from those involving Iccrea Banca, two zero-coupon curves are extracted using bootstrapping procedures. 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.

It is also possible to apply 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.

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.

### A.4.2 VALUATION PROCESSES AND SENSITIVITY

The Bank uses 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

| | 31/12/2023 | | | 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| 1. Financial assets measured at fair value through profit or loss of which | 420,882 | 1,170,605 | 386,201 | 295,566 | 1,816,129 | 409,929 |
| a) financial assets held for trading | 80,701 | 1,083,957 | - | 11,521 | 1,732,427 | 184 |
| b) financial assets designated as at fair value | 315,788 | 22,613 | - | 249,872 | 20,948 | - |
| c) other financial assets mandatorily measured at fair value | 24,393 | 64,035 | 386,201 | 34,173 | 62,755 | 409,746 |
| 2. Financial assets measured at fair value through comprehensive income | 907,468 | 315,672 | 1,167 | 769,093 | 300,295 | 10,088 |
| 3. Hedging derivatives | - | 163,309 | - | - | 570,702 | - |
| 4. Property, plant and equipment | - | - | - | - | - | - |
| 5. Intangible assets | - | - | - | - | - | - |
| **Total** | **1,328,349** | **1,649,586** | **387,368** | **1,064,659** | **2,687,126** | **420,017** |
| 1. Financial liabilities held for trading | 9,559 | 1,038,654 | - | 5,017 | 1,724,226 | - |
| 2. Financial liabilities designated as at fair value | - | 387,148 | - | - | 352,484 | - |
| 3. Hedging derivatives | - | 88,523 | - | - | 165,494 | - |
| **Total** | **9,559** | **1,514,326** | **-** | **5,017** | **2,242,204** | **-** |

Paragraph 93 letter c) of IFRS 13 requires that, in addition to reporting the fair value hierarchy, entities shall disclose information on significant transfers between Level 1 and Level 2 and the reasons for the transfer. Please note that there were no such transfers during the period.

In addition, with regard to the quantitative impact on the determination of the fair value of financial derivative instruments, the Credit Value Adjustment (for default risk of counterparties) and the Debt Value Adjustment (for default risk of the Bank) did not give rise to any significant changes.

## A.4.5.2 CHANGE FOR THE PERIOD IN FINANCIAL ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

| | Financial assets measured at fair value through profit or loss | | | | Financial assets measured at fair value through other comprehensive income | Hedging derivatives | Property plant and equipment | Intangible assets |
|---|---|---|---|---|---|---|---|---|
| | Total | of which: a) financial assets held for trading | of which: b) financial assets at fair value | of which: c) other financial assets mandatorily measured at fair value | | | | |
| **1. Opening balance** | **409,929** | **184** | **-** | **409,746** | **10,088** | **-** | **-** | **-** |
| **2. Increases** | **8,142** | **-** | **-** | **8,142** | **-** | **-** | **-** | **-** |
| 2.1 Purchases | 1,880 | - | - | 1,880 | - | - | - | - |
| 2.2 Profits recognized in: | 6,262 | - | - | 6,262 | - | - | - | - |
| 2.2.1 Income statement | 6,262 | - | - | 6,262 | - | - | - | - |
| - of which: capital gains | 6,262 | - | - | 6,262 | - | - | - | - |
| 2.2.2 Shareholders' equity | - | X | X | X | - | - | - | - |
| 2.3 Transfers from other levels | - | - | - | - | - | - | - | - |
| 2.4 Other increases | - | - | - | - | - | - | - | - |
| **3. Decreases** | **31,870** | **184** | **-** | **31,687** | **8,921** | **-** | **-** | **-** |
| 3.1 Sales | 1,897 | 184 | - | 1,714 | - | - | - | - |
| 3.2 Repayments | 16,073 | - | - | 16,073 | - | - | - | - |
| 3.3 Losses recognized in: | 13,900 | - | - | 13,900 | 837 | - | - | - |
| 3.3.1 Income statement | 13,900 | - | - | 13,900 | - | - | - | - |
| - of which: capital losses | 13,900 | - | - | 13,900 | - | - | - | - |
| 3.3.2 Shareholders' equity | - | X | X | X | 837 | - | - | - |
| 3.4 Transfers to other levels | - | - | - | - | 8,083 | - | - | - |
| 3.5 Other decreases | - | - | - | - | - | - | - | - |
| **4. Closing balance** | **386,201** | **-** | **-** | **386,201** | **1,167** | **-** | **-** | **-** |

## A.4.5.3 CHANGE FOR THE PERIOD IN FINANCIAL LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

The table has not been completed because there were no such positions as at the reporting date.

### A.4.5.4 FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE A NON-RECURRING BASIS: BREAKDOWN BY FAIR VALUE INPUT LEVEL

| | 31/12/2023 | | | | 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Carrying amount | Level 1 | Level 2 | Level 3 |
| 1. Financial assets measured at amortized cost | 48,502,908 | 9,885,508 | 31,662,340 | 7,054,115 | 51,073,505 | 8,096,541 | 36,587,165 | 5,808,972 |
| 2. Investment property | | | | | | | | |
| 3. Non-current assets and disposal groups held for sale | 142,678 | | | | 5,438 | | | |
| **Total** | **48,645,586** | **9,885,508** | **31,662,340** | **7,054,115** | **51,078,943** | **8,096,541** | **36,587,165** | **5,808,972** |
| 1. Financial liabilities measured at amortized cost | 54,800,756 | 4,256,817 | 45,429,736 | 3,025,203 | 53,682,926 | 2,305,137 | 45,618,356 | 4,693,732 |
| 2. Liabilities associated with assets held for sale | | | | | | | | |
| **Total** | **54,800,756** | **4,256,817** | **45,429,736** | **3,025,203** | **53,682,926** | **2,305,137** | **45,618,356** | **4,693,732** |

### A.5 – DISCLOSURE ON “DAY ONE PROFIT/LOSS”

During the period under review, no differences emerged between the fair values posted at the time of initial recognition and the values recalculated at the same date using valuation techniques in accordance with IFRS 9 (paragraphs B.5.1.2 A letter b).

# PART B - INFORMATION ON THE BALANCE SHEET

# ASSETS

## SECTION 1 - CASH AND CASH EQUIVALENTS – ITEM 10

### 1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| a) Cash | 94,475 | 146,708 |
| b) Current accounts and demand deposits with central banks | 3,956,181 | 144,164 |
| c) Current accounts and demand deposits with banks | 708,658 | 670,045 |
| **Total** | **4,759,314** | **960,917** |

Sub-item b) includes amounts deposited on the PM account with the Bank of Italy, which is used to manage the liquidity of the Guarantee Scheme, in the amount of about €13.9 million, and about €91.0 million in respect of *i*nstant payments. It also includes overnight deposits with the ECB in the amount of €3,851.3 million.

## 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 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **A. On-balance-sheet assets** | | | | | | |
| **1. Debt securities** | **68,705** | **6,325** | **-** | **8,649** | **3** | **183** |
| 1.1 structured securities | 6,175 | 5 | - | 3,416 | - | - |
| 1.2 other debt securities | 62,530 | 6,320 | - | 5,233 | 3 | 183 |
| **2. Equity securities** | **1,605** | **-** | **-** | **1,912** | **-** | **-** |
| **3. Units in collective investment undertakings** | **10,080** | **-** | **-** | **92** | **-** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 repurchase agreements | - | - | - | - | - | - |
| 4.2 other | - | - | - | - | - | - |
| **Total (A)** | **80,389** | **6,325** | **-** | **10,653** | **3** | **183** |
| **B. Derivatives** | | | | | | |
| **1. Financial derivatives** | **311** | **1,077,632** | **-** | **868** | **1,732,424** | **-** |
| 1.1 trading | 311 | 1,077,632 | - | 868 | 1,732,424 | - |
| 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)** | **311** | **1,077,632** | **-** | **868** | **1,732,424** | **-** |
| **Total (A+B)** | **80,701** | **1,083,957** | **-** | **11,521** | **1,732,427** | **183** |

## 2.2 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY DEBTOR/ISSUER/COUNTERPARTY

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| **A. On-balance-sheet assets** | | | |
| **1. Debt securities** | | **75,030** | **8,835** |
| a) Central banks | | - | - |
| b) Government entities | | 62,223 | 1,593 |
| c) Banks | | 7,729 | 3,496 |
| d) Other financial companies | | 4,103 | 2,932 |
| of which: insurance undertakings | | - | - |
| e) Non-financial companies | | 975 | 814 |
| **2. Equity securities** | | **1,605** | **1,913** |
| a) Banks | | 91 | 898 |
| b) Other financial companies | | 250 | 1,014 |
| of which: insurance undertakings | | - | 1,014 |
| c) Non-financial companies | | 1,264 | 1 |
| d) Other issuers | | - | - |
| **3. Units in collective investment undertakings** | | **10,080** | **92** |
| **4. Loans** | | **-** | **-** |
| a) Central banks | | - | - |
| b) Government entities | | - | - |
| c) Banks | | - | - |
| d) Other financial companies | | - | - |
| of which: insurance undertakings | | - | - |
| e) Non-financial companies | | - | - |
| f) Households | | - | - |
| | **Total (A)** | **86,715** | **10,840** |
| **B. Derivatives** | | **-** | **-** |
| a) Central counterparties | | 721,621 | 1,214,843 |
| b) Other | | 356,322 | 518,448 |
| | **Total (B)** | **1,077,943** | **1,733,291** |
| | **Total (A+B)** | **1,164,658** | **1,744,131** |

The distribution of assets by economic sector of the debtors or the issuers was carried out on the basis of the classification criteria provided for by the Bank of Italy.

## 2.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1.Debt securities** | **315,788** | **22,613** | **-** | **249,872** | **20,948** | **-** |
| 1.1 structured securities | - | - | - | - | - | - |
| 1.2 other debt securities | 315,788 | 22,613 | - | 249,872 | 20,948 | - |
| **2. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 structured | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - |
| **Total** | **315,788** | **22,613** | **-** | **249,872** | **20,948** | **-** |

The amount is entirely attributable to financial instruments subscribed by the Parent Company in accordance with the investment policy for the Ex Ante Quota of the Readily Available Funds connected with the Guarantee Scheme.

## 2.4 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE: COMPOSITION BY DEBTOR/ISSUER

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Debt securities** | **338,401** | **270,820** |
| a) Central banks | - | - |
| b) Government entities | 315,788 | 216,187 |
| c) Banks | 22,613 | 54,634 |
| d) Other financial companies | - | - |
| of which: insurance undertakings | - | - |
| e) Non-financial companies | - | - |
| **2. Loans** | **-** | **-** |
| a) Central banks | - | - |
| b) Government entities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance undertakings | - | - |
| e) Non-financial companies | - | - |
| f) Households | - | - |
| **Total** | **338,401** | **270,820** |

The distribution of assets by economic sector of the debtors or the issuers was carried out on the basis of the classification criteria provided for by the Bank of Italy.

## 2.5 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1. Debt securities** | **-** | **18,948** | **628** | **24,978** | **35,921** | **2,306** |
| 1.1 structured securities | - | - | - | 6,674 | 5,079 | 2,031 |
| 1.2 other debt securities | - | 18,948 | 628 | 18,305 | 30,842 | 275 |
| **2. Equity securities** | **24,393** | **26,873** | **9,843** | **9,195** | **21,463** | **9,790** |
| **3. Units in collective investment undertakings** | **-** | **18,214** | **375,724** | **-** | **5,371** | **397,645** |
| **4. Loans** | **-** | **-** | **5** | **-** | **-** | **5** |
| 4.1 repurchase agreements | - | - | - | - | - | - |
| 4.2 other | - | - | 5 | - | - | 5 |
| **Total** | **24,393** | **64,035** | **386,201** | **34,173** | **62,755** | **409,746** |

Units in collective investment undertakings” includes, among others, the units of the closed-end investment funds “Securis Real Estate” managed by Investire SGR SpA:

- Securis Real Estate III, in the amount of €80,70 thousand;
- Securis Real Estate II, in the amount of €89,683 thousand;
- Securis Real Estate I, in the amount of €159,161 thousand

## 2.6 OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE: COMPOSITION BY DEBTOR/ISSUER

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| **1.Equity securities** | | **61,109** | **40,448** |
| of which: banks | | 22,291 | 5,081 |
| of which: other financial companies | | 38,815 | 35,363 |
| of which: non-financial companies | | 4 | 4 |
| **2. Debt securities** | | **19,577** | **63,205** |
| a) Central banks | | - | - |
| b) Government entities | | - | - |
| c) Banks | | 13,365 | 47,971 |
| d) Other financial companies | | 6,212 | 13,084 |
| of which: insurance companies | | - | 995 |
| e) Non-financial companies | | - | 2,150 |
| **3. Units in collective investment undertakings** | | **393,938** | **403,015** |
| **4. Loans** | | **5** | **5** |
| a) Central banks | | - | - |
| b) Government entities | | - | - |
| c) Banks | | - | - |
| d) Other financial companies | | 5 | 5 |
| of which: insurance companies | | - | - |
| e) Non-financial companies | | - | - |
| f) Households | | - | - |
| | **Total** | **474,629** | **506,673** |

The distribution of assets by economic sector of the debtors or the issuers was carried out on the basis of the classification criteria provided for by the Bank of Italy.

## 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 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **1. Debt securities** | **907,468** | **20,827** | **-** | **769,093** | **24,675** | **-** |
| 1.1 structured securities | 194,770 | - | - | 57,903 | 4,002 | - |
| 1.2 other debt securities | 712,698 | 20,827 | - | 711,191 | 20,672 | - |
| **2. Equity securities** | **-** | **294,846** | **1,167** | **-** | **275,621** | **10,088** |
| **3. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **907,468** | **315,672** | **1,167** | **769,093** | **300,295** | **10,088** |

### 3.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION BY DEBTOR/ISSUER

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Debt securities** | **928,294** | **793,768** |
| a) Central banks | - | - |
| b) Government entities | 562,994 | 624,633 |
| c) Banks | 256,892 | 67,296 |
| d) Other financial companies | 83,878 | 71,734 |
| of which: insurance undertakings | - | - |
| e) Non-financial companies | 24,530 | 30,105 |
| **2. Equity securities** | **296,013** | **285,708** |
| a) Banks | 268,589 | 264,602 |
| b) Other issuers: | 27,424 | 21,106 |
| - other financial companies | 24,854 | 18,626 |
| of which: insurance undertakings | 9,337 | 7,372 |
| - non-financial companies | 2,570 | 2,480 |
| - other | - | - |
| **3. Loans** | **-** | **-** |
| a) Central banks | - | - |
| b) Government entities | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| of which: insurance undertakings | - | - |
| e) Non-financial companies | - | - |
| f) Households | - | - |
| **Total** | **1,224,308** | **1,079,476** |

## 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 | | 903,963 | 809,728 | 25,878 | - | - | (431) | (1,116) | - | - | - |
| Loans | | - | - | - | - | - | - | - | - | - | - |
| **Total** | **31/12/2023** | **903,963** | **809,728** | **25,878** | **-** | **-** | **(431)** | **(1,116)** | **-** | **-** | **-** |
| **Total** | **31/12/2022** | **763,209** | **749,967** | **32,175** | **-** | **-** | **(250)** | **(1,367)** | **-** | **-** | **-** |

**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 31/12/2023 | | | | | | Total 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired | Level 1 | Level 2 | Level 3 | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired | Level 1 | Level 2 | Level 3 |
| **A. Claims on central banks** | **1,947,020** | **-** | **-** | **-** | **-** | **1,947,020** | **589,459** | **-** | **-** | **-** | **-** | **589,459** |
| 1. Fixed-term deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 2. Reserve requirements | 1,947,020 | - | - | X | X | X | 589,459 | - | - | X | X | X |
| 3. Repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| 4. Other | - | - | - | X | X | X | - | - | - | X | X | X |
| **B. Due from banks** | **28,859,277** | **-** | **-** | **337,559** | **27,988,849** | **612,575** | **35,064,229** | **-** | **-** | **185,932** | **33,870,543** | **811,689** |
| 1. Financing | 26,326,801 | - | - | - | 25,833,861 | 612,575 | 33,453,762 | - | - | - | 32,593,425 | 777,178 |
| 1.1 Current accounts and demand deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.2. Fixed-term deposits | 2,060 | - | - | X | X | X | 85,919 | - | - | X | X | X |
| 1.3. Other financing: | 26,324,741 | - | - | X | X | X | 33,367,843 | - | - | X | X | X |
| - Repurchase agreements | - | - | - | X | X | X | - | - | - | X | X | X |
| - Finance leases | - | - | - | X | X | X | - | - | - | X | X | X |
| - Other | 26,324,741 | - | - | X | X | X | 33,367,843 | - | - | X | X | X |
| 2. Debts securities | 2,532,475 | - | - | 360,768 | 2,131,779 | - | 1,610,467 | - | - | 185,932 | 1,277,119 | 34,511 |
| 2.1 Structured securities | 218,347 | - | - | 175,565 | 39,661 | - | 85,302 | - | - | 12,884 | 71,615 | - |
| 2.2 Other debt securities | 2,314,128 | - | - | 185,202 | 2,092,118 | - | 1,525,165 | - | - | 173,048 | 1,205,503 | 34,511 |
| **Total** | **30,806,297** | **-** | **-** | **360,768** | **27,965,641** | **2,559,595** | **35,653,688** | **-** | **-** | **185,932** | **33,870,543** | **1,401,148** |

Loans connected with pool collateral operations amount to €20,761 million of which €14,417 million granted within the framework of TLTRO with the European Central Bank and included under letter "B", item "Other financing– Other". Securities pledged as collateral amount to €18,038 million net of the haircut applied to the various types of securities. For more information, please see the Report on Operations.

## 4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY PRODUCT OF LOANS AND RECEIVABLES WITH CUSTOMERS

| | Total 31/12/2023 | | | | | | Total 31/12/2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | Fair value | | | Carrying amount | | | Fair value | | |
| | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired | Level 1 | Level 2 | Level 3 | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired | Level 1 | Level 2 | Level 3 |
| **1. Loans** | **7,505,684** | **52,736** | **-** | **-** | **2,979,924** | **4,481,478** | **7,041,809** | **37,446** | **-** | **-** | **2,682,992** | **4,247,080** |
| 1.1. Current accounts | 398,307 | 5,379 | - | X | X | X | 191,375 | 4,671 | - | X | X | X |
| 1.2. Repurchase agreements | 793,621 | - | - | X | X | X | 728,304 | - | - | X | X | X |
| 1.3. Medium/long term loans | 2,692,419 | 46,455 | - | X | X | X | 2,729,605 | 31,082 | - | X | X | X |
| 1.4. Credit cards, personal loans and loans repaid by automatic deductions from wage | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.5. Finance leases | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.6. Factoring | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.7. Other loans | 3,621,336 | 902 | - | X | X | X | 3,392,525 | 1,693 | - | X | X | X |
| **2. Debt securities** | **10,138,169** | **22** | **-** | **9,315,546** | **661,831** | **7,021** | **8,340,551** | **11** | **-** | **7,910,609** | **33,630** | **160,745** |
| 2.1. Structured securities | 270,386 | - | - | 232,403 | 31,735 | 6,021 | 142,693 | - | - | 71,692 | 2,873 | 98,574 |
| 2.2. Other debt securities | 9,867,783 | 22 | - | 9,083,144 | 630,096 | 1,001 | 8,197,859 | 11 | - | 7,838,917 | 30,757 | 62,171 |
| **Total** | **17,643,853** | **52,758** | **-** | **9,315,546** | **3,641,755** | **4,488,499** | **15,382,360** | **37,457** | **-** | **7,910,609** | **2,716,622** | **4,407,824** |

## 4.3 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY DEBTOR/ISSUER OF LOANS TO CUSTOMERS

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired | Stage 1 and 2 | Stage 3 | Purchased or originated credit-impaired |
| **1. Debt securities** | **10,138,169** | **22** | **-** | **8,340,551** | **11** | **-** |
| a) Government entities | 9,890,008 | - | - | 8,059,888 | - | - |
| b) Other financial companies | 204,586 | - | - | 204,294 | - | - |
| of which: insurance undertakings | 7,187 | - | - | 7,281 | - | - |
| c) Non-financial companies | 43,575 | 22 | - | 76,369 | 11 | - |
| **2. Loans to:** | **7,505,684** | **52,736** | **-** | **7,041,809** | **37,446** | **-** |
| a) Government entities | 4,957 | - | - | 5,858 | - | - |
| b) Other financial companies | 4,577,317 | 1,105 | - | 4,074,587 | 1,543 | - |
| of which: insurance undertakings | - | - | - | 23 | - | - |
| c) Non-financial companies | 2,770,791 | 48,096 | - | 2,789,179 | 31,742 | - |
| d) Households | 152,618 | 3,535 | - | 172,184 | 4,160 | - |
| **Total** | **17,643,853** | **52,758** | **-** | **15,382,360** | **37,457** | **-** |

## 4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS AMOUNT 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 | | 12,613,176 | 9,621,733 | 65,804 | 435 | - | (2,042) | (6,294) | (413) | - | - |
| Loans | | 35,221,289 | 596,259 | 597,352 | 178,531 | - | (14,291) | (24,846) | (125,795) | - | (29,300) |
| **Total** | **31/12/2023** | **47,834,465** | **10,217,992** | **663,157** | **178,966** | **-** | **(16,333)** | **(31,139)** | **(126,208)** | **-** | **(29,300)** |
| **Total** | **31/12/2022** | **50,227,625** | **7,860,191** | **871,505** | **154,204** | **-** | **(20,644)** | **(42,438)** | **(116,747)** | **-** | **(29,478)** |

**Value to be reported for information purposes*

Loans outstanding at the reporting date which represent new liquidity granted through public guarantee mechanisms established in response to the COVID-19 emergency are reported in the table below, showing the gross value and total writeoffs, broken down by risk stages and "purchased or originated credit impaired" status. These include, among other, financial assets recognized in respect of forbearance measures involving a refinancing with derecognition of the original asset and recognition of a new loan, or a restructuring of multiple liabilities with recognition of a new loan.

### LOANS MEASURED AT AMORTIZED COST INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AMOUNT 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* |
| New loans | 472,807 | - | 62,210 | 19,801 | - | (851) | (592) | (7,467) | - | - |
| **Total** | **472,807** | **-** | **62,210** | **19,801** | **-** | **(851)** | **(592)** | **(7,467)** | **-** | **-** |

## SECTION 5 – HEDGING DERIVATIVES - ITEM 50

### 5.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND LEVEL OF INPUT

| | Fair value 31/12/2023 | | | NV 31/12/2023 | Fair value 31/12/2022 | | | NV 31/12/2022 |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 | |
| **A. Financial derivatives** | | | | | | | | |
| 1. Fair value | - | 163,309 | - | 4,204,477 | - | 570,702 | - | 4,889,441 |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| 3. Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | | | | | | | | |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **163,309** | **-** | **4,204,477** | **-** | **570,702** | **-** | **4,889,441** |

*Key*
NV=notional value

## 5.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

| | Fair value | | | | | | | Cash flows | | Investments in foreign operations |
|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | | | | |
| | debt securities and interest rates | equity securities and equity indices | currencies and gold | loans | commodities | other | Generic | Specific | Generic | |
| 1. Financial assets measured at fair value through other comprehensive income | - | - | - | - | X | X | X | - | X | X |
| 2. Financial assets measured at amortized cost | 163,025 | X | - | - | X | X | X | - | X | X |
| 3. Portfolio | X | X | X | X | X | X | 114 | X | - | X |
| 4. Other transactions | - | - | - | - | - | - | X | - | X | - |
| **Total assets** | **163,025** | **-** | **-** | **-** | **-** | **-** | **114** | **-** | **-** | **-** |
| 1. Financial liabilities | 169 | X | - | - | - | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | X | - | X | - | X |
| **Total liabilities** | **169** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | X | - | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | X | - | X | - | - |

## SECTION 6 - VALUE ADJUSTMENTS OF FINANCIAL ASSETS HEDGED GENERICALLY – ITEM 60

## 6.1 VALUE ADJUSTMENTS OF HEDGED ASSETS: COMPOSITION OF HEDGED PORTFOLIOS

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Positive adjustments** | **-** | **-** |
| 1.1 of specific portfolios: | - | - |
| a) financial assets measured at amortized cost | - | - |
| b) financial assets measured at fair value through comprehensive income | - | - |
| 1.2 comprehensive | - | - |
| **2. Negative adjustments** | **(891)** | **(1,101)** |
| 2.1 of specific portfolios: | (891) | (1,101) |
| a) financial assets measured at amortized cost | - | - |
| b) financial assets measured at fair value through comprehensive income | (891) | (1,101) |
| 2.2 comprehensive | - | - |
| **Total** | **(891)** | **(1,101)** |

## SECTION 7 – EQUITY INVESTMENTS – ITEM 70

### 7.1 EQUITY INVESTMENTS: INFORMATION ON INVESTMENTS

| | Registered office | Operational headquarters | % holding | % of votes |
|---|---|---|---|---|
| **A. Subsidiaries** | | | | |
| BCC Leasing SpA | Rome | Rome | 100.0 | 100.0 |
| BCC Beni Immobili Srl | Milan | Rome | 100.0 | 100.0 |
| BCC Factoring SpA | Rome | Milan | 100.0 | 100.0 |
| BCC POS SpA | Rome | Rome | 100.0 | 100.0 |
| BCC Sistemi Informatici SpA | Milan | Milan | 100.0 | 100.0 |
| BCC Risparmio & Previdenza SGrpA | Milan | Milan | 100.0 | 100.0 |
| BCC Gestione Crediti SpA | Rome | Rome | 100.0 | 100.0 |
| BCC CreditoConsumo SpA | Rome | Udine | 100.0 | 100.0 |
| BCC Sinergia SpA | Milan | Treviglio | 100.0 | 100.0 |
| BCC Servizi Assicurativi Srl | Milan | Milan | 100.0 | 100.0 |
| Banca Sviluppo SpA | Rome | Rome | 100.0 | 100.0 |
| Iccrea Covered Bond | Rome | Rome | 90.0 | 90.0 |
| BCC Financing SpA | Udine | Udine | 100.0 | 100.0 |
| BCC Rent&Lease SpA | Rome | Milan | 100.0 | 100.0 |
| BCC Vita SpA | Milan | Milan | 100.0 | 100.0 |
| BCC Assicurazioni SpA | Milan | Milan | 100.0 | 100.0 |
| Bit - Servizi per L'Investimento sul Territorio | Parma | Parma | 82.8 | 97.4 |
| *BCC della Calabria Ulteriore (absorbed Vibonese - Crotonese - Cittanova) | Crotone | Crotone | 39.7 | 92.8 |
| *Banca Centropadana | Lodi | Lodi | 39.4 | 98.1 |
| *Banca Terre Etrusche Di Valdichiana e di Maremma (absorbed Valdichiana) | Chiusi | Chiusi | 57.6 | 98.5 |
| *Banca Centro (absorbed Vival Banca) | Pistoia | Pistoia | 33.5 | 96.7 |
| *BCC di Taranto e Massafra (absorbed Massafra) | Massafra | Massafra | 11.2 | 87.2 |
| *Banca Di Pisa e Fornacette | Pisa | Pisa | 41.5 | 96.7 |
| **B. Joint ventures** | | | | |
| **C. Companies subject to signficant influence** | | | | |
| Hbenchmark Srl | Vicenza | Vicenza | 10.0 | 10.0 |
| Pitagora Finanziamenti Contro Cessione del Quinto SPA | Turin | Turin | 9.9 | 9.9 |
| Vorvel Società di Intermediazione Mobiliare SpA | Milan | Milan | 20.0 | 20.0 |
| Pay Holding SpA | Milan | Milan | 40.0 | 40.0 |

*The equity investments held in the mutual banks referred to above are attributable to the funding initiatives (Article 150-ter of the Consolidated Banking Act) subscribed pursuant to Article 6 of the Cohesion Contract concerning the Guarantee Scheme, which were subscribed in part by the Parent Company.

### 7.2 SIGNIFICANT EQUITY INVESTMENTS: CARRYING AMOUNT, FAIR VALUE AND DIVIDENDS RECEIVED

The table has not been completed because the Bank prepares consolidated financial statements pursuant to the provisions of Circular 262 of December 22, 2005 - 8th update of November 22, 2022.

### 7.3 SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

The table has not been completed because the Bank prepares consolidated financial statements pursuant to the provisions of Circular 262 of December 22, 2005 - 8th update of November 22, 2022.

### 7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

The table has not been completed because there were no such positions as at the reporting date.

### 7.5 EQUITY INVESTMENTS: CHANGE FOR THE PERIOD

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Opening balance** | **1,568,623** | **998,822** |
| **B. Increases** | **262,873** | **1,036,188** |
| B.1 Purchases | 217,873 | 593,756 |
| B.2 Writebacks | - | - |
| B.3 Revaluations | - | - |
| B.4 Other increases | 45,000 | 1,524 |
| **C. Decreases** | **459,350** | **23,956** |
| C.1 Sales | - | 21,000 |
| C.2 Impairment losses | - | 2,056 |
| C.3 Writedowns | - | - |
| C.4 Other decreases | 459,350 | 800 |
| **D. Closing balance** | **1,372,145** | **1,568,623** |
| **E. Total revaluations** | **-** | **-** |
| **F. Total impairment losses** | **200,305** | **200,305** |

The sub-item “B.1 Purchases” refers to:

- the acquisition of the remaining 70% of share capital of BCC Vita SpA and BCC Assicurazioni SpA (+€174.9 and +€13.9 million respectively) in connection with the new bancassurance arrangements;
- the acquisition of the entire interest in of BCC Rent&Lease SpA (+€25.7 million, previously held by BCC Leasing S.p.A);
- the subscription of shares issued by Banca Centropadana (+€2.5 million) pursuant to Art. 150-ter of the Consolidated Banking Act as the manager of the Guarantee Scheme.

The sub-item “B.4 Other increases” is entirely attributable to the subscription of share (for a future capital increase) in BCC Financing SpA and BCC Credito Consumo SpA (+€20.0 and +€25.0 million, respectively);

The sub-item “C.4 Other decreases” refers to:

- the reduction in the value of the equity interest in BCC Sinergia SpA (-€52.0 million) following the Lucrezia Romana spinoff, which involved the transfer of the associated property complex to the Parent Company;
- the reduction in equity carried out by BCC Servizi Assicurativi Srl (-€258.9 million);
- the reduction in the value of the equity interest in Pay Holding SpA (-€3.0 million) following the distribution of reserves to shareholders;
- the repayment of shares by Banca TEMA (-€2.0 million) pursuant to Art. 150-ter of the Consolidated Banking Act as the manager of the Guarantee Scheme (authorized by the ECB);
- the reclassification of BCC Vita SpA and BCC Assicurazioni SpA (-€142.7 million) under item A110 “non-current assets and disposal groups held for sale and associated liabilities” in connection with the new bancassurance arrangements.

#### Impairment testing of equity investments

As required by the IFRS, in the presence of triggers that could indicate possible impairment, equity investments undergo impairment testing to assess whether there is objective evidence indicating that the carrying amount of such assets is not fully recoverable and determine the amount of any writedown.

Impairment indicators can essentially be divided into two categories:

- qualitative indicators such as the posting of losses or significant divergences in performance from budget objectives or targets in long-term plans, the announcement/initiation of insolvency proceedings or restructuring plans or a downgrading by a specialized agency;
- quantitative indicators, represented by a reduction in fair value below the carrying amount of more than 30% or for more than 24 months, a carrying amount of an equity investment in the separate financial statements that exceeds the carrying amount in the consolidated financial statements of the net assets and goodwill of

the investee or the distribution by the latter of a dividend in excess of its comprehensive income. If there is evidence of impairment, the amount of any impairment loss is determined on the basis of the difference between the carrying amount and the recoverable value, with the latter represented by the greater between the fair value less any costs to sell and the value in use.

As regards the investments held by Iccrea Banca where there is a difference between the carrying amount recognized in the separate financial statements and the fraction of equity recognized in the financial statements of the subsidiary, the impairment tests have been updated.

More specifically, the recoverability of the carrying amount was assessed with various methods, including shareholders' equity, market multiples, the dividend discount model, equity with inclusion of funding and appraisal value.

For more information on impairment testing, please see Part A – Accounting Policies of the notes to the financial statements.

### 7.6 COMMITMENTS IN RESPECT OF INVESTMENTS IN JOINT VENTURES

The table has not been completed because there were no such positions as of the reporting date.

### 7.7 COMMITMENTS IN RESPECT OF INVESTMENTS IN COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

The table has not been completed because there were no such positions as of the reporting date.

### 7.8 SIGNIFICANT RESTRICTIONS

The table has not been completed because there were no such positions as of the reporting date.

### 7.9 OTHER INFORMATION

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 8 - PROPERTY, PLANT AND EQUIPMENT – ITEM 80

### 8.1 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF ASSETS CARRIED AT COST

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Owned assets** | **88,674** | **201** |
| a) land | 14,713 | - |
| b) buildings | 69,574 | - |
| c) movables | 185 | 190 |
| d) electronic systems | 4,202 | 9 |
| e) other | - | 3 |
| **2. Assets acquired under finance leases** | **2,096** | **2,300** |
| a) land | - | - |
| b) buildings | 745 | 245 |
| c) movables | - | - |
| d) electronic systems | - | - |
| e) other | 1,351 | 2,056 |
| **Total** | **90,770** | **2,502** |
| of which: obtained through enforcement of guarantees received | - | - |

### 8.2 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT COST

The table has not been completed because there were no such positions as of the reporting date.

### 8.3 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF REVALUED ASSETS

The table has not been completed because there were no such positions as of the reporting date.

### 8.4 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT FAIR VALUE

The table has not been completed because there were no such positions as of the reporting date.

### 8.5 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT WITHIN THE SCOPE OF IAS 2: COMPOSITION

The table has not been completed because there were no such positions as of the reporting date.

## 8.6 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGE FOR THE PERIOD

| | Land | Buildings | Movables | Electronic plant | Other | Total |
|---|---|---|---|---|---|---|
| **A. Opening gross balance** | **-** | **2,178** | **2,997** | **335** | **7,363** | **12,873** |
| A.1 Total net writedown | - | 1,933 | 2,807 | 327 | 5,304 | 10,371 |
| A.2 Opening net balance | **-** | **245** | **190** | **9** | **2,059** | **2,502** |
| **B. Increases:** | **14,713** | **70,521** | **1** | **4,909** | **486** | **90,630** |
| B.1 Purchases | 14,713 | 69,863 | - | 4,909 | 486 | 89,971 |
| - of which business combinations | - | - | - | - | - | - |
| B.2 Capitalized improvement costs | - | - | - | - | - | - |
| B.3 Writebacks | - | 658 | - | - | - | 658 |
| B.4 Fair value gains recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| B.5 Positive exchange rate differences | - | - | - | - | - | - |
| B.6 Transfers from investment property | - | - | X | X | X | - |
| B.7 Other changes | - | - | 1 | - | - | 1 |
| **C. Decreases:** | **-** | **447** | **6** | **716** | **1,194** | **2,363** |
| C.1 Sales | - | - | - | - | - | - |
| - of which business combinations | - | - | - | - | - | - |
| C.2 Depreciation | - | 447 | 6 | 716 | 1,192 | 2,361 |
| C.3 Writedowns for impairment recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| C.4 Fair value losses recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| C.5 Negative exchange rate differences | - | - | - | - | - | - |
| C.6 Transfers to: | - | - | - | - | - | - |
| a) investment property | - | - | X | X | X | - |
| b) non-current assets and disposal groups held for sale | - | - | - | - | - | - |
| C.7 Other changes | - | - | - | - | 1 | 1 |
| **D. Closing net balance** | **14,713** | **70,319** | **185** | **4,202** | **1,351** | **90,770** |
| D.1 Total net writedowns | - | 43,896 | 2,732 | 21,378 | 6,496 | 74,501 |
| D.2 Closing gross balance | **14,713** | **114,215** | **2,917** | **25,580** | **7,846** | **165,271** |
| **E. Measurement at cost** | - | - | - | - | - | - |

## 8.7 INVESTMENT PROPERTY: CHANGE FOR THE PERIOD

The table has not been completed because there were no such positions as of the reporting date.

## 8.8 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT WITHIN THE SCOPE OF IAS 2: CHANGE FOR THE PERIOD

The table has not been completed because there were no such positions as of the reporting date.

## 8.9 COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 9 – INTANGIBLE ASSETS – ITEM 90

### 9.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

| | Total 31/12/2023 | | Total 31/12/2022 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| **A.1 Goodwill** | **X** | **-** | **X** | **-** |
| **A.2 Other intangible assets** | **247** | **-** | **536** | **-** |
| Of which: Software | 247 | - | 536 | - |
| A.2.1 Assets carried at cost | 247 | - | 536 | - |
| a) internally generated intangible assets | - | - | - | - |
| b) other assets | 247 | - | 536 | - |
| A.2.2 Assets designated at fair value | - | - | - | - |
| a) internally generated intangible assets | - | - | - | - |
| b) other assets | - | - | - | - |
| **Total** | **247** | **-** | **536** | **-** |

## 9.2 INTANGIBLE ASSETS: CHANGE FOR THE PERIOD

| | Goodwill | Other intangible assets internally generated | | Other intangible assets: other | | Total |
|---|---|---|---|---|---|---|
| | | Finite life | Indefinite life | Finite life | Indefinite life | |
| **A. Opening balance** | **-** | **-** | **-** | **2,119** | **-** | **2,119** |
| A.1 Total net writedown | - | - | - | 1,538 | - | 1,538 |
| A.2 Opening net balance | - | - | - | 536 | - | 536 |
| **B. Increases** | **-** | **-** | **-** | **-** | **-** | **-** |
| B.1 Purchases | - | - | - | - | - | - |
| B.2 Increases in internally generated intangible assets | X | - | - | - | - | - |
| B.3 Writebacks | X | - | - | - | - | - |
| B.4 Fair value gains recognized in | - | - | - | - | - | - |
| - equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| B.5 Positive exchange rate differences | - | - | - | - | - | - |
| B.6 Other changes | - | - | - | - | - | - |
| **C. Decreases** | **-** | **-** | **-** | **288** | **-** | **288** |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Writedowns | - | - | - | 288 | - | 288 |
| - Amortization | X | - | - | 288 | - | 288 |
| - Impairment | - | - | - | - | - | - |
| + equity | X | - | - | - | - | - |
| + income statement | - | - | - | - | - | - |
| C.3 Fair value losses recognized in | - | - | - | - | - | - |
| - equity | X | - | - | - | - | - |
| - income statement | X | - | - | - | - | - |
| C.4 Transfers to non-current assets held for sale | - | - | - | - | - | - |
| C.5 Negative exchange rate differences | - | - | - | - | - | - |
| C.6 Other changes | - | - | - | - | - | - |
| **D. Closing net balance** | **-** | **-** | **-** | **247** | **-** | **247** |
| D.1 Total net writedown | - | - | - | 1,551 | - | 1,551 |
| **E. Closing gross balance** | **-** | **-** | **-** | **1,798** | **-** | **1,798** |
| F. Measurement at cost | - | - | - | - | - | - |

## 9.3 INTANGIBLE ASSETS: OTHER INFORMATION

Under the provisions of IAS 38, paragraphs 122 and 124, we report:

- there are no revalued intangible assets; consequently, there are no impediments to the distribution to shareholders of gains on revalued intangible assets (IAS 38, paragraph 124, letter b);
- there are no intangible assets acquired with government grants (IAS 38, paragraph 122, letter c);
- there are no intangible assets pledged as security for liabilities (IAS 38, paragraph 122, letter d);
- there are no intangible assets involved in lease transactions

## SECTION 10 - TAX ASSETS AND LIABILITIES – ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

### 10.1 DEFERRED TAX ASSETS: COMPOSITION

| | 31/12/2023 | | Total | 31/12/2022 | | Total |
|---|---|---|---|---|---|---|
| | IRES | IRAP | | IRES | IRAP | |
| **1) Recognized in income statement** | **38,862** | **14** | **38,875** | **11,774** | **20** | **11,795** |
| **a) DTA pursuant to Law 214/2011** | **1,133** | **14** | **1,147** | **1,689** | **20** | **1,709** |
| Total | 1,133 | 14 | 1,147 | 1,689 | 20 | 1,709 |
| Goodwill and other intangible assets recognized at 31.12.2014 | - | - | - | - | - | - |
| Tax losses/negative value of production as per Law 214/2011 | - | - | - | - | - | - |
| **b) Other** | **37,729** | **-** | **37,729** | **10,085** | **-** | **10,085** |
| Writedowns of amounts due from banks | 490 | - | 490 | 357 | - | 357 |
| Writedowns of loans to customers | 68 | - | 68 | 82 | - | 82 |
| Goodwill and other intangible assets | - | - | - | - | - | - |
| Tax losses | - | - | - | - | - | - |
| Writedowns of financial assets held for trading and financial assets measured at fair value | - | - | - | - | - | - |
| Writedowns of securities in circulation | - | - | - | - | - | - |
| Writedowns of financial liabilities held for trading and financial liabilities measured at fair value | - | - | - | - | - | - |
| Writedowns of impairment of guarantees issued recognized under liabilities | 5,734 | - | 5,734 | 7,392 | - | 7,392 |
| Provisions for risks and charges | 31,401 | - | 31,401 | 2,155 | - | 2,155 |
| Costs of predominantly administrative nature | - | - | - | - | - | - |
| Difference between tax value and carrying amount of property, plant and equipment and intangible assets | - | - | - | - | - | - |
| Other | 35 | - | 35 | 100 | - | 100 |
| **2) Recognized in shareholders' equity** | **5,389** | **1,091** | **6,480** | **16,878** | **3,344** | **20,222** |
| **a) Valuation reserves:** | **3,338** | **676** | **4,015** | **7,284** | **1,475** | **8,759** |
| Capital losses on financial assets measured through OCI | 3,338 | 676 | 4,015 | 7,284 | 1,475 | 8,759 |
| **b) Other:** | **2,050** | **415** | **2,465** | **9,594** | **1,869** | **11,463** |
| Actuarial gains/losses on provisions for employees | - | - | - | 366 | - | 366 |
| Other | 2,050 | 415 | 2,465 | 9,228 | 1,869 | 11,097 |
| **A. Total deferred tax assets** | **44,250** | **1,105** | **45,356** | **28,652** | **3,365** | **32,017** |
| **B. Offsetting with deferred tax liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Net deferred tax assets - Total 100 b)** | **44,250** | **1,105** | **45,356** | **28,652** | **3,365** | **32,017** |

## 10.2 DEFERRED TAX LIABILITIES: COMPOSITION

| | 31/12/2023 | | Total | 31/12/2022 | | Total |
|---|---|---|---|---|---|---|
| | IRES | IRAP | | IRES | IRAP | |
| **1) Deferred tax liabilities recognized in income statement:** | **-** | **-** | **-** | **-** | **-** | **-** |
| Writedowns of loans to customers deducted in separate section of tax return (not recognized in income statement) | - | - | - | - | - | - |
| Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **2) Deferred tax liabilities recognized in shareholders' equity:** | **5,384** | **1,091** | **6,475** | **2,747** | **556** | **3,304** |
| **Valuation reserves:** | | | | | | |
| Capital gains on financial assets measured through OCI | 5,384 | 1,091 | 6,475 | - | - | - |
| Revaluation of property | - | - | - | - | - | - |
| Other | - | - | - | 2,747 | 556 | 3,304 |
| **A. Total deferred tax liabilities** | **5,384** | **1,091** | **6,475** | **2,747** | **556** | **3,304** |
| **B. Offsetting with deferred tax assets** | **-** | **-** | **-** | **-** | **-** | **-** |
| **C. Net deferred tax assets -Total sub-item 60 b)** | **5,384** | **1,091** | **6,475** | **2,747** | **556** | **3,304** |

## 10.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN INCOME STATEMENT)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **11,795** | **11,001** |
| **2. Increases** | **31,519** | **8,703** |
| 2.1 Deferred tax assets recognized during the period | 31,519 | 8,703 |
| a) in respect of previous period | - | 4,704 |
| b) due to change in accounting policies | - | - |
| c) writebacks | - | - |
| d) other | 31,519 | 3,999 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **4,438** | **7,909** |
| 3.1 Deferred tax assets derecognized during the period | 4,438 | 7,909 |
| a) reversals | 4,438 | 7,909 |
| b) writedowns for supervening non-recoverability | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| a) transformation in tax credits pursuant to Law 214/2011 | - | - |
| b) other | - | - |
| **4. Closing balance** | **38,875** | **11,795** |

### 10.3 BIS CHANGES IN DEFERRED TAX ASSETS PURSUANT TO LAW 214/2011

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **1,709** | **1,969** |
| **2. Increases** | **-** | **-** |
| **3. Decreases** | **562** | **259** |
| 3.1 Reversals | 562 | 259 |
| 3.2 Conversion into tax credits | - | - |
| a) arising from losses for the year | - | - |
| b) arising from tax losses | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **1,147** | **1,709** |

### 10.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN INCOME STATEMENT)

The table has not been completed because there were no such positions as of the reporting date.

### 10.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **20,222** | **4,007** |
| **2. Increases** | **903** | **16,215** |
| 2.1 Deferred tax assets recognized during the period | 903 | 16,215 |
| a) in respect of previous periods | - | 50 |
| b) due to change in accounting policies | - | - |
| c) other | 903 | 16,165 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **14,646** | **-** |
| 3.1 Deferred tax assets derecognized during the period | 14,646 | - |
| a) reversals | - | - |
| b) writedowns for supervening non-recoverability | - | - |
| c) due to changes in accounting policies | - | - |
| d) other | 14,646 | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **6,480** | **20,222** |

## 10.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **1. Opening balance** | **3,304** | **1,650** |
| **2. Increases** | **3,171** | **1,654** |
| 2.1 Deferred tax liabilities recognized during the period | 3,171 | 1,654 |
| a) in respect of previous periods | - | - |
| b) due to change in accounting policies | - | - |
| c) other | 3,171 | 1,654 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **-** | **-** |
| 3.1 Deferred tax liabilities derecognized during the period | - | - |
| a) reversals | - | - |
| b) due to change in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **6,475** | **3,304** |

## 10.7 OTHER INFORMATION

As regards the Bank's tax position:

- for the financial years 2018, 2019, 2020, 2021 and 2022 (for which the tax assessment time limit has not expired), no formal notice of assessment has yet been received;
- in November 2014, the Bank received a notice of liquidation from the Revenue Agency, Provincial Directorate of Brescia for the year 2013 concerning the registration fees of €104,770.00 for an order assigning amounts for seizure by third parties. Following adverse rulings in the first two levels of adjudication, the Bank has appealed to the Court of Cassation.

At the reporting date, the Bank conducted a probability test in order to verify whether the conditions existed for maintaining the registration of existing and newly recognized deferred tax assets.

With regard to the probability test conducted:

- the tax income or loss (IRES/IRAP) was estimated over a five-year forecast period (from 2024-2028);
- and the sufficiency of the estimated taxable income to absorb the temporary deductible differences that will be reversed in the reference period was verified and gave rise to the recognition of DTAs.

The test did not consider deferred tax assets associated with Law 214/2011, as they can be transformed into a tax credit, and those which are likely to be reversed in periods subsequent to those adopted as the time horizon used. Since the total estimated taxable income for the analysis period was equal to or greater than the taxable income attributable to the deferred tax assets being tested, the probability test was passed.

In addition, with regard to DTAs reversing subsequent to the aforementioned time horizon, a further assessment was carried out that demonstrated their recoverability within the forecast period of the plan.

The estimations and assumptions concerning the recoverability of deferred tax assets were made on the basis of the latest approved strategic plan, which incorporates the forecasts contained in the macroeconomic scenario provided to all the companies in scope, developing its commercial dynamics and the associated evolution in performance and financial position.

| | 31/12/2023 | | | | 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | IRES | IRAP | Other | Total | IRES | IRAP | Other | Total |
| Current tax liabilities (-) | (36,041) | (2,705) | - | (38,746) | (9,877) | (5,702) | - | (15,579) |
| Payments on account (+) | 22,488 | 8,486 | - | 30,974 | - | - | - | - |
| Other tax receivables (+) | - | - | - | - | 36,507 | 8,598 | - | 45,105 |
| Tax credit pursuant to Law 214/2011 (+) | - | - | - | - | 5,533 | - | - | 5,533 |
| Withholding tax (+) | - | - | - | - | - | - | - | - |
| **Debtor balance of item 60 a) of liabilities** | **(13,553)** | **-** | **-** | **(13,553)** | **-** | **-** | **-** | **-** |
| **Creditor balance** | **-** | **5,781** | **-** | **5,781** | **32,163** | **2,896** | **-** | **35,060** |
| Non-offsettable tax receivables: principal | - | - | - | - | - | - | - | - |
| Non-offsettable tax receivables: interest | - | - | - | - | - | - | - | - |
| **Balance of non-offsettable tax receivables** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Creditor balance of item 110 a) of assets** | **-** | **5,781** | **-** | **5,781** | **32,163** | **2,896** | **-** | **35,060** |

## SECTION 11 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 110 OF ASSETS AND ITEM 70 OF LIABILITIES

### 11.1 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE: COMPOSITION BY TYPE

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| **A. Assets held for sale** | | |
| A.1 Financial assets | - | 5,438 |
| A.2 Equity investments | 142,678 | - |
| A.3 Property, plant and equipment | - | - |
| of which: obtained through enforcement of guarantees received | - | - |
| A.4 Intangible assets | - | - |
| A.5 Other non-current assets | - | - |
| **Total A** | **142,678** | **5,438** |
| of which carried at cost | 142,678 | 5,438 |
| of which measured at fair value level 1 | - | - |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | - | - |
| **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 | - | - |
| of which: obtained through enforcement of guarantees received | - | - |
| B.6 Intangible assets | - | - |
| B.7 Other assets | - | - |
| **Total B** | **-** | **-** |
| of which carried at cost | - | - |
| of which measured at fair value level 1 | - | - |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | - | - |
| **C. Liabilities associated with assets held for sale** | | |
| C.1 Debt | - | - |
| C.2 Securities | - | - |
| C.3 Other liabilities | - | - |
| **Total C** | **-** | **-** |
| of which carried at cost | - | - |
| of which measured at fair value level 1 | - | - |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | - | - |
| **D. Liabilities associated with discontinued operations** | | |
| D.1 Financial liabilities measured at amortized cost | - | - |
| D.2 Financial liabilities held for trading | - | - |
| D.3 Financial liabilities designated as at fair value | - | - |
| D.4 Provisions | - | - |
| D.5 Other liabilities | - | - |
| **Total D** | **-** | **-** |
| of which carried at cost | - | - |
| of which measured at fair value level 1 | - | - |
| of which measured at fair value level 2 | - | - |
| of which measured at fair value level 3 | - | - |

During the period, the Bank classified under “Non-current assets and disposal groups held for sale and associated liabilities” part of the investments in BCC Vita SpA and BCC Assicurazioni SpA in connection with the new bancassurance arrangements. The amount for 2022 regarded a portfolio of non-performing loans (previously classified under loans to customers).

### 11.2 OTHER INFORMATION

The table has not been completed because there were no such positions as at the reporting date.

## SECTION 12 - OTHER ASSETS – ITEM 120

### 12.1 OTHER ASSETS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| - Receivables for future premiums on derivatives | 10,640 | 8,480 |
| - Fees and commissions and interest to be received | 53,184 | 45,670 |
| - Tax receivables due from central govt. tax authorities and other tax agencies (including VAT credits) | 16,264 | 29,364 |
| - Tax receivables | 306,835 | 177,339 |
| - Items in transit between branches and items being processed | 189,235 | 151,669 |
| - Financial assets in respect of loans granted for a specific transaction | 90,800 | 84,771 |
| - Accrued income not attributable to separate line item | 40 | 81 |
| - Prepaid expenses not attributable to separate line item | 3,833 | 4,131 |
| - Subsidiaries – Group VAT | 5,792 | 4,258 |
| - Tax consolidation mechanism | 26,537 | 31,323 |
| - Other (security deposits, assets not attributable to other items) | 132,446 | 105,424 |
| **Total** | **835,607** | **642,509** |

The item “Financial assets in respect of loans granted for a specific transaction” regards the Parent Company’s contribution to the Guarantee Scheme.

“Tax receivables” reports tax credits connected with the Superbonus 110% program, which were mainly assigned by the mutual banks in accordance with the provisions of Decree Law 18/2020 and Decree Law 34/2020.

Mirroring the recognition of amounts under “Other liabilities”, the item “Financial assets in respect of loans granted for a specific transaction” includes €8.4 million in respect of current account liquidity generated by the cash flows connected with targeted loans pursuant to Art. 2447 bis letter b) and 2447 decies of the Civil Code originally granted by the EIB as part of the following initiatives:

- JESSICA POR FESR 2007-2013 for urban development and energy efficiency projects located in the region of Sicily (original amount equal to €53.2 million) and the region of Campania (contractual amount of €31.7 million paid in two tranches of about €15.9 million each);
- StudioSì – an Intelligent Specialization Fund launched at the end of 2020 to promote broad participation in university specialist training, in particular for residents of the South, financed with resources from the 2014-2020 Research and Innovation NOP (contractual resources of €46.5 million co-managed with BCC CreditoConsumo SpA, which handles business development and credit management given its specialization in consumer credit);
- EFSI - Sicily Business Emergency Fund activated in 2022 to support the recovery of Sicilian SMEs affected by the COVID-19 emergency, especially in the tourism sector, drawing on resources from the POR FESR Sicilia 2014-2020 (contractual resources of €50 million.

As at 31 December 2023, in accordance with the provisions of Art. 2447 decies of the Civil Code and in compliance with the initial contractual agreements with the EIB, the cash and accounting flows connected with repayments of installments, interest payments as well as current account accruals on the loans granted are entirely segregated from the Bank’s ordinary activities, being allocated to dedicated current accounts for each of the activities in question. The accounts are held with Banca Sviluppo, which acts as custodian bank. Following the termination of the contractual relationship between the EIB and the Region of Sicily on March 31, 2017, the latter took over (pursuant to Art. 1406 et seq. of the Civil Code) the relationship with Iccrea BCC Leasing first and Iccrea Banca later connected with the JESSICA program.

## 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 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 16,204,661 | X | X | X | 26,290,563 | X | X | X |
| 2. Due to banks | 18,472,921 | X | X | X | 15,302,945 | X | X | X |
| 2.1 Current accounts and demand deposits | 8,921,360 | X | X | X | 5,472,242 | X | X | X |
| 2.2 Fixed term deposits | 8,340,348 | X | X | X | 9,365,243 | X | X | X |
| 2.3 Loans | 640,566 | X | X | X | 191,118 | X | X | X |
| 2.3.1 Repurchase agreements | 311,801 | X | X | X | - | X | X | X |
| 2.3.2 Other | 328,765 | X | X | X | 191,118 | 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 | - | X | X | X | - | X | X | X |
| 2.6 Other payables | 570,647 | X | X | X | 274,342 | X | X | X |
| **Total** | **34,677,583** | **-** | **306,848** | **34,335,707** | **41,593,508** | **-** | **38,686,658** | **2,032,205** |

The item “Due to central banks” mainly represents financing from the ECB (TLTRO).

### 1.2 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST- DUE TO CUSTOMERS: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 932,178 | X | X | X | 1,258,602 | X | X | X |
| 2. Fixed-term deposits | - | X | X | X | - | X | X | X |
| 3. Loans | 13,618,668 | X | X | X | 6,975,584 | X | X | X |
| 3.1 Repurchase agreements | 11,908,544 | X | X | X | 6,383,649 | X | X | X |
| 3.2 Other | 1,710,123 | X | X | X | 591,935 | X | X | X |
| 4. Liabilities in respect of commitments to repurchase own equity instruments | - | X | X | X | - | X | X | X |
| 5. Lease liabilities | 2,110 | X | X | X | 2,335 | X | X | X |
| 6. Other liabilities | 373,352 | X | X | X | 427,444 | X | X | X |
| **Total** | **14,926,307** | **-** | **8,994,121** | **3,017,756** | **8,663,966** | **-** | **6,041,940** | **2,661,527** |

The sub-item “Repurchase agreements” is composed entirely of transactions with the Clearing and Guarantee Fund.

The item “Other payables” mainly comprises bankers’ drafts issued but not yet presented for settlement.

## 1.3 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST - SECURITIES ISSUED: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | Carrying amount | Fair value | | |
| | | Level 1 | Level 2 | Level 3 | | Level 1 | Level 2 | Level 3 |
| A. Securities | | | | | | | | |
| 1. Bonds | 5,196,867 | 4,256,817 | 924,049 | - | 3,425,452 | 2,305,137 | 889,758 | - |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1.2 other | 5,196,867 | 4,256,817 | 924,049 | - | 3,425,452 | 2,305,137 | 889,758 | - |
| 2. Other securities | - | - | - | - | - | - | - | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - | - | - |
| Total | 5,196,867 | 4,256,817 | 924,049 | - | 3,425,452 | 2,305,137 | 889,758 | - |

The item comprises bonds issued by the Bank and hedged against interest rate risk using derivatives, the amount of which is adjusted by changes in fair value attributable to the hedged risk accrued as of the reporting date, as well as unhedged bonds issued measured at amortized cost. The fair value of securities issued is calculated by discounting future cash flows using the swap yield curve as at the reporting date.

The sub-item “1.2 Bonds - other” includes subordinated securities amounting to €713 million.

## 1.4 BREAKDOWN OF SUBORDINATED DEBT/SECURITIES

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| A.1 Subordinated debt | - | - |
| - banks | - | - |
| - customers | - | - |
| B.1 Subordinated securities | 712,635 | 715,010 |
| - banks | 712,635 | 715,010 |
| - customers | - | - |
| Total | 712,635 | 715,010 |

At December 31, 2023, the item includes two subordinated loans with the following features:

- issue date November 28, 2019, Maturity date November 28, 2029, residual nominal value at December 31, 2023: €398.72 million, interest rate 4.125%, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption;
- issue date October 18, 2021, Maturity date January 18, 2032, residual nominal value at December 31, 2023: €298.94 million, interest rate 4.75%, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption.

## 1.5 BREAKDOWN OF STRUCTURED DEBT

As at the reporting date the Bank did not hold structured securities.

## 1.6 LIABILITIES IN RESPECT OF FINANCE LEASES

| Right of use | Falling due within 5 years | Falling due after 5 years |
|---|---|---|
| Land | - | - |
| Buildings | 745 | - |
| Movables | - | - |
| Electrical plant | - | - |
| Other | 1,365 | - |

## SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

## 2.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | | Total 31/12/2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 550 | 549 | - | - | 549 | 3,318 | 3,334 | - | - | 3,334 |
| 2. Due to customers | 8,297 | 8,530 | 100 | - | 8,630 | 1,933 | 1,602 | - | - | 1,602 |
| 3. Debt securities | - | - | - | - | | - | - | - | - | X |
| 3.1 Bonds | - | - | - | - | | - | - | - | - | X |
| 3.1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.1.2 Other bonds | - | - | - | - | X | - | - | - | - | X |
| 3. Other | - | - | - | - | | - | - | - | - | X |
| 3.2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.2.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total A** | **8,847** | **9,079** | **100** | **-** | **9,178** | **5,251** | **4,936** | **-** | **-** | **4,936** |
| **B. Derivatives** | | | | | | | | | | |
| 1. Financial derivatives | | 480 | 1,038,555 | - | | X | 81 | 1,724,226 | - | X |
| 1.1 Trading | X | 480 | 1,038,555 | - | X | X | 81 | 1,724,226 | - | X |
| 1.2 Associated with fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Other | X | - | - | - | X | X | - | - | - | X |
| 2. Credit derivatives | | - | - | - | | 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** | **480** | **1,038,555** | **-** | **X** | **X** | **81** | **1,724,226** | **-** | **X** |
| **Total (A+B)** | **X** | **9,559** | **1,038,654** | **-** | **X** | **X** | **5,017** | **1,724,226** | **-** | **X** |

*Key:*
NV=nominal or notional value
Fair value*= *Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date*

## 2.2 BREAKDOWN OF “FINANCIAL LIABILITIES HELD FOR TRADING”: SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the reporting date.

## 2.3 BREAKDOWN OF “FINANCIAL LIABILITIES HELD FOR TRADING”: STRUCTURED LIABILITIES

The table has not been completed because there were no such positions as of the reporting date.

## SECTION 3 - FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE - ITEM 30

### 3.1 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE: COMPOSITION BY TYPE

| | Total 31/12/2023 | | | | | Total 31/12/2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | Fair value | | | Fair value * | NV | Fair value | | | Fair value * |
| | | Level 1 | Level 2 | Level 3 | | | Level 1 | Level 2 | Level 3 | |
| **1. Due to banks** | **378,086** | **-** | **387,148** | **-** | **387,148** | **365,913** | **-** | **352,484** | **-** | **352,484** |
| 1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 1.2 Other | 378,086 | - | 387,148 | - | X | 365,913 | - | 352,484 | - | X |
| of which: | | | | | | | | | | |
| - commitments to disburse funds | - | X | X | X | X | X | X | X | X | X |
| - financial guarantees issued | - | X | X | X | X | X | X | X | X | X |
| **2. Due to customers** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 2.2 Other | - | - | - | - | X | - | - | - | - | X |
| of which: | | | | | | | | | | |
| - commitments to disburse funds | - | X | X | X | X | X | X | X | X | X |
| - financial guarantees issued | - | X | X | X | X | X | X | X | X | X |
| **3. Debt securities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 3.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.2 Other | - | - | - | - | X | - | - | - | - | X |
| **Total** | **378,086** | **-** | **387,148** | **-** | **387,148** | **365,913** | **-** | **352,484** | **-** | **352,484** |

*Key:*
NV= nominal or notional value
Fair value*= *Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date*

The entire amount is represented by the affiliated banks' Ex Ante Quota of the contribution to the Guarantee Scheme, adjusted to take account of net interest and commissions on the loan.

### 3.2 BREAKDOWN OF "FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE": SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the reporting date

## SECTION 4 - HEDGING DERIVATIVES – ITEM 40

### 4.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND LEVEL OF INPUTS

| | Fair value 31/12/2023 | | | NV | Fair value 31/12/2022 | | | NV |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | 31/12/2023 | Level 1 | Level 2 | Level 3 | 31/12/2022 |
| **A) Financial derivatives** | **-** | **88,523** | **-** | **2,755,784** | **-** | **165,494** | **-** | **2,524,558** |
| 1) Fair value | - | 72,326 | - | 2,041,937 | - | 83,175 | - | 1,235,965 |
| 2) Cash flows | - | 16,197 | - | 713,847 | - | 82,318 | - | 1,288,593 |
| 3) Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **88,523** | **-** | **2,755,784** | **-** | **165,494** | **-** | **2,524,558** |

*Key:*
NV=notional value

### 4.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

| | Fair value | | | | | | | Cash flows | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Specific | | | | | | | | | |
| | Debt securities and interest rates | Equity securities and stock indices | Foreign currencies and gold | Credit | Commodities | Other | Generic | Specific | Generic | Foreign investments |
| 1. Financial assets measured at fair value through other comprehensive income | 1,031 | - | - | - | X | X | X | 2,626 | X | X |
| 2. Financial assets measured at amortized cost | 71,050 | X | - | - | X | X | X | 13,570 | X | X |
| 3. Portfolio | X | X | X | X | X | X | - | X | - | X |
| 4. Other transactions | - | - | - | - | - | - | X | - | X | - |
| **Total assets** | **72,081** | **-** | **-** | **-** | **-** | **-** | **-** | **16,197** | **-** | **-** |
| 1. Financial liabilities | 245 | X | - | - | - | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | X | - | X | - | X |
| **Total liabilities** | **245** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Forecast transactions | X | X | X | X | X | X | X | - | X | X |
| 2. Portfolio of financial assets and liabilities | X | X | X | X | X | X | - | X | - | - |

## SECTION 5 ADJUSTMENTS OF GENERICALLY HEDGED LIABILITIES - ITEM 50

There were no such positions as of the reporting date.

## SECTION 6 – TAX LIABILITIES– ITEM 60

See section 10 under assets.

## SECTION 7 – LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE – ITEM 70

See section 11 under assets.

## SECTION 8 - OTHER LIABILITIES – ITEM 80

### 8.1 OTHER LIABILITIES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Amounts due to social security institutions and State | 12,123 | 15,488 |
| Amounts available to customers | 10,197 | 47,625 |
| Fees and commissions to be settled | 66,268 | 55,608 |
| Liabilities for future premiums on derivatives | 2,347 | 1,987 |
| Tax payables due to tax authorities | 24,003 | 18,055 |
| Payables due to employees | 30,503 | 24,884 |
| Financial liabilities in respect of loans granted for a specific transaction | 90,800 | 84,771 |
| Deferred income not attributable to separate line item | 4,305 | 2,584 |
| Items in transit and items being processed | 51,313 | 86,617 |
| Other (failed purchase transactions, trade payables, insurance liabilities, security deposits, items not attributable to separate line item) | 73,543 | 39,708 |
| Subsidiaries – Group VAT | 370 | 3,755 |
| Consolidated taxation mechanism | 11,896 | 22,520 |
| **Total** | **377,668** | **403,602** |

The sub-item "Financial liabilities in respect of loans granted for a specific transaction" regards the Parent Company's contribution to the Guarantee Scheme.

The item also include loans originally granted by the EIB; please see section 12, item 120 under assets.

## SECTION 9 - EMPLOYEE TERMINATION BENEFITS – ITEM 90

### 9.1 EMPLOYEE TERMINATION BENEFITS: CHANGE FOR THE PERIOD

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Opening balance** | **12,649** | **15,347** |
| **B. Increases** | **637** | **89** |
| B.1 Provisions for the period | 430 | 89 |
| B.2 Other increases | 207 | - |
| **C. Decreases** | **1,070** | **2,787** |
| C.1 Benefit payments | 687 | 1,176 |
| C.2 Other decreases | 383 | 1,612 |
| **D. Closing balance** | **12,216** | **12,649** |
| **Total** | **12,216** | **12,649** |

### 9.2 OTHER INFORMATION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Opening amount (civil code rules) | 13,518 | 13,581 |
| Increases | - | - |
| Decreases | 859 | 62 |
| **Closing amount (civil code rules)** | **12,659** | **13,518** |
| Surplus / (Deficit) | (443) | (869) |
| **Employee termination benefits provision IAS 19** | **12,216** | **12,649** |

Employee termination benefits cover the entire entitlement accrued as at the reporting date by employees, in conformity with applicable law, the collective bargaining agreement and supplementary company-level contract. The liability calculated pursuant to Art. 2120 of the Civil Code amounted to €12,659 thousand.

The actuarial assumptions used by an independent actuary to calculate the liability as at the reporting date are as follows:

- demographic parameters: drawn from ISTAT's 2004 mortality tables and the INPS disability tables. As regards the probability of leaving work for reasons other than death, the calculation used turnover rates consistent with past experience, with the annual rate of exit from work set at 1.50%;
- financial parameters: the valuations were calculated on the basis of the Euro Composite AA curve at 31/12/2023;
- economic parameters: the rate of inflation was assumed to be 2.0% while the rate of increase in salaries was 3.50% for all categories of employee and used only for seniority purposes.

## SECTION 10 - PROVISIONS FOR RISKS AND CHARGES – ITEM 100

### 10.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Provisions for credit risk in respect of commitments and financial guarantees issued | 23,894 | 30,799 |
| 2. Provisions for other commitments and guarantees issued | - | - |
| 3. Company pension plans | - | - |
| 4. Other provisions for risks and charges | 131,673 | 9,347 |
| 4.1 legal disputes | 2,162 | 2,466 |
| 4.2 personnel expense | 3,252 | 3,155 |
| 4.3 other | 126,259 | 3,726 |
| Total | **155,567** | **40,147** |

### 10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGE FOR THE PERIOD

| | Provisions in respect of commitments and other guarantees issued | Retirement provisions | Other provisions | Total |
|---|---|---|---|---|
| **A. Opening balance** | - | - | **9,347** | **9,347** |
| **B. Increases** | - | - | **123,446** | **123,446** |
| B.1 Provisions for the year | - | - | 123,419 | 123,419 |
| B.2 Changes due to passage of time | - | - | 20 | 20 |
| B.3 Changes due to changes in the discount rate | - | - | 7 | 7 |
| B.4 Other increases | - | - | - | - |
| - of which: business combinations | - | - | - | - |
| **C. Decreases** | - | - | **1,120** | **1,120** |
| C.1 Use during the period | - | - | 1,120 | 1,120 |
| C.2 Changes due changes in the discount rate | - | - | - | - |
| C.3 Other decreases | - | - | - | - |
| - of which: business combinations | - | - | - | - |
| **D. Closing balance** | - | - | **131,673** | **131,673** |

### 10.3 PROVISIONS FOR CREDIT RISK IN RESPECT OF COMMITMENTS AND FINANCIAL GUARANTEES ISSUED

| | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit impaired | Total |
|---|---|---|---|---|---|
| 1. Commitments to disburse funds | 1,673 | 229 | 1,753 | - | 3,655 |
| 2. Financial guarantees issued | 4,224 | 5,802 | 10,213 | - | 20,239 |
| Total | **5,897** | **6,031** | **11,966** | - | **23,894** |

### 10.4 PROVISIONS IN RESPECT OF OTHER COMMITMENTS AND GUARANTEES ISSUED

The table has not been completed because there were no such positions as of the reporting date.

### 10.5 DEFINED-BENEFIT COMPANY PENSION PLANS

The table has not been completed because there were no such positions as of the reporting date.

### 10.6 PROVISIONS - OTHER

“Other” main regards the provision in the period for the bancassurance transaction (€68 million) and the discounted value of e-money performance bonuses (€54 million). For more information, please see the Report on Operations.

## SECTION 11 – REDEEMABLE SHARES - ITEM 120

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 12 - SHAREHOLDERS' EQUITY - ITEMS 110, 130, 140, 150, 160, 170 AND 180

### 12.1 "SHARE CAPITAL" AND "TREASURY SHARES": COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Share capital** | | |
| A.1 Ordinary shares | 1,401,045 | 1,401,045 |
| A.2 Savings shares | - | - |
| A.3 Preference shares | - | - |
| A.4 Other shares | - | - |
| **B. Treasury shares** | | |
| B.1 Ordinary shares | - | - |
| B.2 Savings shares | - | - |
| B.3 Preference shares | - | - |
| B.4 Other shares | - | - |

### 12.2 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 (-) | - | - |
| **A.2 Shares in circulation: opening balance** | **27,125,759** | **-** |
| **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** | **27,125,759** | **-** |
| D.1 Treasury shares(+) | - | - |
| D.2 Shares at the end of the year | 27,125,759 | - |
| - fully paid | 27,125,759 | - |
| - partially paid | - | - |

### 12.3 SHARE CAPITAL: OTHER INFORMATION

Share capital is represented only by ordinary shares equal to subscribed share capital, fully paid up.

### 12.4 EARNINGS RESERVES: OTHER INFORMATION

Reserves amount to €682,588 thousand and include: the legal reserve (€100,082 thousand), the reserve established in the articles of association (€205 thousand), the extraordinary reserve (€155,315 thousand), a IAS FTA reserve (€15,378 thousand), a reserve from IFRS 9 FTA (€9,922 thousand), a reserve (€1,843 thousand) created following the transfer of the Corporate business unit to BCC Leasing (formerly Iccrea BancaImpresa) in 2007, a negative reserve (€236 thousand) from the merger of BCC Multimedia, a positive reserve (€162 thousand) relate to the transfer of properties to BCC Beni Immobili and a positive reserve (€234 thousand) related to the transfer of the "Branch Services" business unit to Banca Sviluppo; a negative earnings reserve on equity securities sold (€2,889 thousand); a positive reserve (€7,259 thousand) in respect of the property spinoff carried out in 2023. In implementation of a resolution of the shareholders' meeting, retained earnings were recognized in the amount of €395 million. Pursuant to the provisions of the articles of association, at least one-tenth of net profit for the period (€43,979 thousand) shall be allocated to the legal reserve until that reserve is equal to one-fifth of share capital. The remaining nine-tenths are available for allocation by the Shareholders' Meeting, which decides on the basis of a proposal of the Board of Directors.

### AVAILABILITY AND FORMATION OF EQUITY RESERVES

Pursuant to Art. 2427, nos. 4 and 7 bis of the Civil Code, the following table reports the composition of the Bank's shareholders' equity, indicating the origin, availability and possible distribution of the various components.

| | Amount | Possible uses (*) | Available amount | Summary of uses in last three years | |
|---|---|---|---|---|---|
| | | | | For loss coverage | Other uses |
| Share capital | 1,401,045 | | | | |
| Share premium account | 6,081 | | | | |
| Treasury shares | | | | | |
| Reserves: | | | | | |
| a) legal reserve | 100,082 | B | 100,082 | | |
| b) reserve in articles of association | 205 | A – B – C | 205 | | |
| c) extraordinary reserve | 155,315 | A – B – C | 155,315 | | |
| d) other reserves | 6,373 | A – B – C | - | | |
| e) FTA reserve | 25,300 | A – B – C | 25,300 | | |
| Valuation reserves: | | | - | | |
| a) Financial assets measured at fair value through other comprehensive income (FVOCI) | 6,528 | | | | |
| b) Cash flow hedges | (4,990) | | - | | |
| c) Actuarial gains (losses) on defined-benefit plans | (2,134) | | - | | |
| Valuation reserves (Law 342 of 22/11/2000) | 52,062 | A – B – C(**) | 52,062 | | |
| Retained earnings (loss carryforward) | 395,314 | | - | | |
| Net profit (loss) for the period | 87,920 | | | | |
| **Total** | **2,229,099** | | | | |

(*) a = capital increase; b = loss coverage; c = distribution to shareholders (**) if the reserve is used to cover losses, profits may not be distributed until the reserve has been restored or reduced to a corresponding extent. Any such reduction must be approved by the Extraordinary Shareholders' Meeting without the need to comply with the provisions of paragraphs 2 and 3 of Article 2445 of the Civil Code. If the reserve is not allocated to share capital, it may only be reduced in compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Civil Code. If it is distributed to shareholders, it shall form part of the taxable income of the company and the shareholders.

### 12.5 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

There were no such positions as of the reporting date.

### 12.6 OTHER INFORMATION

There were no such positions as of the reporting date.

## OTHER INFORMATION

### 1. GUARANTEES ISSUED AND COMMITMENTS (OTHER THAN THOSE DESIGNATED AS AT FAIR VALUE)

| | Nominal value of financial guarantees issued and commitments | | | | Total | Total |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit impaired | 31/12/2023 | 31/12/2022 |
| **Commitments to disburse funds** | **9,939,987** | **92,521** | **7,153** | **-** | **10,039,661** | **8,571,925** |
| a) Central banks | - | - | - | - | - | - |
| b) Government entities | 12,500 | - | - | - | 12,500 | 12,500 |
| c) Banks | 7,308,548 | 39,506 | - | - | 7,348,054 | 6,667,808 |
| d) Other financial companies | 2,249,094 | 9,395 | - | - | 2,258,489 | 1,579,773 |
| e) Non-financial companies | 365,309 | 42,761 | 7,044 | - | 415,114 | 304,219 |
| f) Households | 4,536 | 859 | 109 | - | 5,504 | 7,626 |
| **Financial guarantees issued** | **582,405** | **152,273** | **12,211** | **-** | **746,890** | **891,547** |
| a) Central banks | - | - | - | - | - | - |
| b) Government entities | 12,417 | - | - | - | 12,417 | 11,489 |
| c) Banks | 44,727 | 4,114 | - | - | 48,841 | 42,703 |
| d) Other financial companies | 97 | 22,114 | - | - | 22,211 | 196,721 |
| e) Non-financial companies | 521,624 | 126,045 | 11,732 | - | 659,401 | 630,003 |
| f) Households | 3,540 | - | 480 | - | 4,020 | 10,631 |

The nominal value of “commitments to disburse funds” represents the amount that the Bank could be called upon to disburse at the request of the counterparty net of amounts already disbursed and gross of total provisions.

The nominal value of “financial guarantees issued” represents the maximum about the Bank could be called upon to pay in event the guarantees are enforced. It reports the nominal value net of enforcements of unsecured financial guarantees issued by the Bank and repayments by the secured debtor and gross of total provisions.

### 2. OTHER COMMITMENTS AND GUARANTEES ISSUED

There were no such positions as of the reporting date.

### 3. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

| | Amount 31/12/2023 | Amount 31/12/2022 |
|---|---|---|
| 1. Financial assets measured at fair value through profit or loss | 315,788 | 251,527 |
| 2. Financial assets measured at fair value through other comprehensive income | 120,922 | 115,719 |
| 3. Financial assets measured at amortized cost | 6,757,795 | 4,758,232 |
| 4. Property, plant and equipment | - | - |
| of which: property, plant and equipment classified as inventories | - | - |

## 4. MANAGEMENT AND INTERMEDIATION SERVICES

| | Amount 31/12/2023 |
|---|---|
| **1. Order execution on behalf of customers** | **17,613,026** |
| a) Purchases | 12,781,625 |
| 1. settled | 12,738,368 |
| 2. not settled | 43,257 |
| b) Sales | 4,831,402 |
| 1. settled | 4,796,669 |
| 2. not settles | 34,733 |
| **2. Asset management (individual)** | **-** |
| **3. Securities custody and administration** | **138,797,180** |
| a) Third-party securities held as part of custodian bank services (excluding asset management) | - |
| 1. Securities issued by consolidated companies | - |
| 2. other securities | - |
| b) Other third-party securities on deposit (excluding asset management): other | 92,524,029 |
| 1. Securities issued by consolidated companies | 2,305,853 |
| 2. other securities | 90,218,176 |
| c) Third-party securities deposited with third parties | 92,524,029 |
| d) Securities owned by bank deposited with third parties | 46,273,151 |
| **4. Other transactions** | **-** |

## 5. FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

| | Gross amount of financial assets (a) | Financial liabilities offset (b) | Net amount of financial assets reported (c=a-b) | Related amounts not offset | | Net amount (f=c-d-e) 31/12/2023 | Net amount 31/12/2022 |
|---|---|---|---|---|---|---|---|
| | | | | Financial instruments (d) | Cash collateral received (e) | | |
| 1. Derivatives | 4,031,424 | 99,046 | 3,932,379 | 2,964,147 | 876,645 | 91,587 | 2,810,447 |
| 2. Repurchase agreements | - | - | - | - | - | - | - |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Other | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **4,031,424** | **99,046** | **3,932,379** | **2,964,147** | **876,645** | **91,587** | **X** |
| **Total 31/12/2022** | **4,522,003** | **11,564** | **4,510,439** | **1,477,430** | **222,562** | **X** | **2,810,447** |

## 6. FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

| | Gross amount of financial liabilities (a) | Financial assets offset (b) | Net amount of financial liabilities reported (c=a-b) | Related amounts not offset | | Net amount (f=c-d-e) 31/12/2023 | Net amount 31/12/2022 |
|---|---|---|---|---|---|---|---|
| | | | | Financial instruments (d) | Cash collateral received (e) | | |
| 1. Derivatives | 3,868,686 | 99,046 | 3,769,640 | 3,533,058 | 120,282 | 116,301 | 779,894 |
| 2. Repurchase agreements | - | - | - | - | - | - | - |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Other | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **3,868,686** | **99,046** | **3,769,640** | **3,533,058** | **120,282** | **116,301** | **X** |
| **Total 31/12/2022** | **4,007,044** | **11,564** | **3,995,480** | **3,035,024** | **180,563** | **X** | **779,894** |

## 7. SECURITIES LENDING TRANSACTIONS

No information to report.

## 8. DISCLOSURES ON JOINT ARRANGEMENTS

No information to report.

# PART C - INFORMATION ON THE INCOME STATEMENT

## SECTION 1 - INTEREST - ITEMS 10 AND 20

### 1.1 INTEREST AND SIMILAR INCOME: COMPOSITION

| | Debt securities | Loans | Other transactions | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| **1. Financial assets measured at fair value through profit or loss** | **12,998** | **-** | **-** | **12,998** | **5,593** |
| 1.1 Financial assets held for trading | 3,358 | - | - | 3,358 | 496 |
| 1.2 Financial assets designated at fair value | 6,258 | - | - | 6,258 | 2,807 |
| 1.3 Other financial assets mandatorily at fair value | 3,382 | - | - | 3,382 | 2,290 |
| **2. Financial assets measured at fair value through other comprehensive income** | **23,947** | **-** | **X** | **23,947** | **9,540** |
| **3. Financial assets measured at amortized cost** | **396,231** | **1,302,262** | **-** | **1,698,493** | **678,335** |
| 3.1 Due from banks | 97,792 | 1,066,515 | X | 1,164,307 | 103,661 |
| 3.2 Loans to customers | 298,439 | 235,747 | X | 534,186 | 574,673 |
| **4. Hedging derivatives** | **X** | **X** | **34,987** | **34,987** | **(322,347)** |
| **5. Other assets** | **X** | **X** | **13,776** | **13,776** | **5,833** |
| **6. Financial liabilities** | **X** | **X** | **X** | **3,088** | **189,323** |
| **Total** | **433,176** | **1,302,262** | **48,763** | **1,787,289** | **566,277** |
| of which: interest income on impaired financial assets | - | 7,793 | - | 7,793 | 3,510 |
| of which: interest income from finance leases | X | - | X | - | - |

### 1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

### 1.2.1 INTEREST INCOME ON FOREIGN-CURRENCY FINANCIAL ASSETS

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| 1. Mortgage loans | - | - |
| 2. Current accounts and deposits | 2,678 | 853 |
| 3. Other loans | 650 | 485 |
| 4. Debt securities | 1,121 | 330 |
| 5. Other | 97 | 26 |
| **Total** | **4,546** | **1,693** |

## 1.3 INTEREST AND SIMILAR EXPENSE: COMPOSITION

| | Debt | Securities | Other transactions | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|---|---|
| **1. Financial liabilities measured at amortized cost** | **(1,515,137)** | **(155,312)** | **X** | **(1,670,450)** | **(185,254)** |
| 1.1 Due to central banks | (677,083) | X | X | (677,083) | - |
| 1.2 Due to banks | (460,585) | X | X | (460,585) | (92,984) |
| 1.3 Due to customers | (377,469) | X | X | (377,469) | (7,201) |
| 1.4 Securities issued | X | (155,312) | X | (155,312) | (85,069) |
| **2. Financial liabilities held for trading** | **-** | **-** | **-** | **-** | **-** |
| **3. Financial liabilities designated at fair value** | **-** | **-** | **-** | **-** | **-** |
| **4. Other liabilities and provisions** | **X** | **X** | **(1)** | **(1)** | **-** |
| **5. Hedging derivatives** | **X** | **X** | **(1,227)** | **(1,227)** | **529** |
| **6. Financial assets** | **X** | **X** | **X** | **(2,555)** | **(149,567)** |
| **Total** | **(1,515,137)** | **(155,312)** | **(1,229)** | **(1,674,233)** | **(334,292)** |
| of which: interest expense on lease liabilities | (54) | X | X | (54) | (44) |

## 1.4 INTEREST AND SIMILAR EXPENSE: OTHER INFORMATION

### 1.4.1 INTEREST EXPENSE ON FOREIGN-CURRENCY FINANCIAL LIABILITIES

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| 1. Current accounts and deposits | (6,975) | (1,551) |
| 2. Loans | - | - |
| 3. Other | (123) | (103) |
| **Total** | **(7,098)** | **(1,655)** |

## 1.5 DIFFERENCES ON HEDGING TRANSACTIONS

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| A. Positive differences on hedging transactions: | 63,139 | 529 |
| B. Negative differences on hedging transactions: | (29,379) | (322,347) |
| **C. Balance (A-B)** | **33,760** | **(321,818)** |

## SECTION 2 - FEES AND COMMISSIONS – ITEMS 40 AND 50

### 2.1 FEE AND COMMISSION INCOME: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| a) Financial instruments | 23,885 | 14,954 |
| 1. Securities placement | 17,480 | 9,594 |
| 1.1 With underwriting and/or with irrevocable commitment | - | - |
| 1.2 Without irrevocable commitment | 17,480 | 9,594 |
| 2. Order receipt and transmission and order execution for customers | 6,129 | 5,360 |
| 2.1 Order receipt and transmission for one or more financial instruments | 1,195 | 1,301 |
| 2.2 Order execution for customers | 4,934 | 4,059 |
| 3. Other fees and commission connected with financial instruments | 276 | - |
| of which: trading on own account | - | - |
| of which: individual portfolio management | 276 | - |
| b) Corporate finance | 2,256 | 1,560 |
| 1. Merger and acquisition advisory services | - | - |
| 2. Treasury services | - | - |
| 3. Other fees and commissions connected with corporate finance services | 2,256 | 1,560 |
| c) Investment advisory services | - | - |
| d) Clearing and settlement | - | - |
| e) Custody and administration | 6,697 | 6,413 |
| 1. Depository bank | - | - |
| 2. Other fees and commissions connected with custody and administration services | 6,697 | 6,413 |
| f) Central administrative services for collective portfolio management | - | - |
| g) Trustee services | - | - |
| h) Payment services | 550,257 | 369,670 |
| 1. Current accounts | 663 | 308 |
| 2. Credit cards | 112,367 | 68,473 |
| 3. Debit cards and other payment cards | 105,837 | 254,657 |
| 4. Credit transfers and other payment orders | 7,125 | 4,903 |
| 5. Other fees and commissions connected with payment services | 324,264 | 41,329 |
| i) Distribution of third-party services | 5,718 | 4,014 |
| 1. Collective portfolio management | - | - |
| 2. Insurance products | - | - |
| 3. Other products | 5,718 | 4,014 |
| of which: individual portfolio management | - | - |
| j) Structured finance | - | - |
| k) Securitization servicing | - | - |
| l) Commitments to disburse funds | - | - |
| m) Financial guarantees issued | 3,107 | 3,094 |
| of which: credit derivatives | - | - |
| n) Lending transactions | 12,841 | 15,477 |
| of which: for factoring transactions | - | - |
| o) Currency trading | 229 | 163 |
| p) Goods | - | - |
| q) Other fee and commission income | 9,355 | 19,754 |
| of which: for management of multilateral trading facilities | - | - |
| of which: for management of organized trading facilities | - | - |
| **Total** | **614,345** | **435,100** |

The sub-item “payment services” includes the effect of the agreements for the promotion-distribution of BCC Pay products and services between the Bank and the Group’s mutual banks, following the initiative undertaken during the year to reposition the e-money sector.

## 2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **a) own branches:** | **17,480** | **9,594** |
| 1. asset management | - | - |
| 2. securities placement | 17,480 | 9,594 |
| 3. third-party services and products | - | - |
| **b) off-premises distribution:** | **5,994** | **4,014** |
| 1. asset management | 276 | - |
| 2. securities placement | - | - |
| 3. third-party services and products | 5,718 | 4,014 |
| **c) other distribution channels:** | **-** | **-** |
| 1. asset management | - | - |
| 2. securities placement | - | - |
| 3. third-party services and products | - | - |

## 2.3 FEE AND COMMISSION EXPENSE: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| a) Financial instruments | (19,153) | (7,603) |
| of which: trading in financial instruments | (2,795) | (1,662) |
| of which: placement of financial instruments | (16,358) | (5,940) |
| of which: individual portfolio management | - | - |
| - Own | - | - |
| - Delegated to third parties | - | - |
| b) Clearing and settlement | (1,964) | (1,872) |
| c) Custody and administration | (3,663) | (2,711) |
| d) Collection and payment services | (505,541) | (325,520) |
| of which: credit cards, debit cards and other payment cards | (503,236) | (323,193) |
| e) Securitization servicing | - | (624) |
| f) Commitments to receive funds | - | - |
| g) Financial guarantees received | (166) | (514) |
| of which: credit derivatives | - | - |
| h) Off-premises marketing of financial instruments, products and services | (3,727) | - |
| i) Currency trading | (42) | (69) |
| j) Other fee and commission expense | (24,225) | (24,087) |
| **Total** | **(558,482)** | **(363,000)** |

The sub-item “collection and payment services” includes the effect of the agreements for the promotion-distribution of BCC Pay products and services between the Bank and the Group’s mutual banks, following the initiative undertaken during the year to reposition the e-money sector.

## SECTION 3 - DIVIDENDS AND SIMILAR REVENUES – ITEM 70

### 3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

| | Total 31/12/2023 | | Total 31/12/2022 | |
|---|---|---|---|---|
| | Dividends | Similar revenue | Dividends | Similar revenue |
| A. Financial assets held for trading | - | 1 | - | 393 |
| B. Other financial assets mandatorily measured at fair value | 269 | 188 | 162 | 815 |
| C. Financial assets measured at fair value through other comprehensive income | 11,087 | - | 11,328 | - |
| D. Equity investments | 128,797 | - | 777 | - |
| **Total** | **140,152** | **189** | **12,267** | **1,208** |

Dividends received mainly regard distributions of profits in 2021 and 2022 by the companies in the direct scope in the amount of €128.8 million, in addition to dividends from the interest in the Bank of Italy (€10.6 million).

## 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** | **1,350** | **13,310** | **(703)** | **(3,851)** | **10,105** |
| 1.1 Debt securities | 1,115 | 10,069 | (212) | (3,747) | 7,226 |
| 1.2 Equity securities | 6 | 571 | (195) | (63) | 319 |
| 1.3 Units in collective investment undertakings | 228 | 322 | (65) | (40) | 445 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | 2,347 | (231) | - | 2,115 |
| **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** | **88,476** |
| **4. Derivatives** | **832,710** | **1,596,686** | **(819,116)** | **(1,604,879)** | **(80,900)** |
| 4.1 Financial derivatives: | 832,710 | 1,596,686 | (819,116) | (1,604,879) | (80,900) |
| - on debt securities and interest rates | 830,410 | 1,596,686 | (818,960) | (1,602,057) | 6,080 |
| - on equity securities and equity indices | 2,300 | - | (157) | (2,821) | (678) |
| - on foreign currencies and gold | X | X | X | X | (86,301) |
| - other | - | - | - | - | - |
| 4.2 Credit derivatives | - | - | - | - | - |
| of which: natural hedges connected with fair value option | X | X | X | X | - |
| **Total** | **834,060** | **1,609,996** | **(819,820)** | **(1,608,729)** | **17,681** |

## SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

### 5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Gain on:** | | |
| A.1 Fair value hedges | 274,754 | 966,655 |
| A.2 Hedged financial assets (fair value) | 190,364 | 4,595 |
| A.3 Hedged financial liabilities (fair value) | 58 | 3,483 |
| A.4 Cash flow hedges | 28 | 134 |
| A.5 Assets and liabilities in foreign currencies | - | - |
| **Total income on hedging activities (A)** | **465,204** | **974,867** |
| **B. Loss on:** | | |
| B.1 Fair value hedges | (425,843) | (17,443) |
| B.2 Hedged financial assets (fair value) | (24,697) | (961,710) |
| B.3 Hedged financial liabilities (fair value) | (7,161) | (180) |
| B.4 Cash flow hedges | (229) | (480) |
| B.5 Assets and liabilities in foreign currencies | - | - |
| **Total expense on hedging activities (B)** | **(457,930)** | **(979,813)** |
| **C. Net gain (loss) on hedging activities (A - B)** | **7,274** | **(4,946)** |
| of which: net gain (loss) of hedges of net positions | - | - |

## SECTION 6 - GAIN (LOSS) ON DISPOSAL OR REPURCHASE – ITEM 100

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.

### 6.1 GAIN (LOSS) ON DISPOSAL OR REPURCHASE: COMPOSITION

| | Total 31/12/2023 | | | Total 31/12/2022 | | |
|---|---|---|---|---|---|---|
| | Gains | Losses | Net gain (loss) | Gains | Losses | Net gain (loss) |
| **A. Financial assets** | | | | | | |
| 1. Financial assets measured at amortized cost | 70,915 | (31,984) | 38,931 | 113,099 | (78,182) | 34,917 |
| 1.1 Due from banks | 1,205 | - | 1,205 | - | - | - |
| 1.2 Loans to customers | 69,710 | (31,984) | 37,727 | 113,099 | (78,182) | 34,917 |
| 2. Financial assets measured at fair value through other comprehensive income | 7,600 | (9,341) | (1,740) | 1,790 | (11,147) | (9,357) |
| 2.1 Debt securities | 7,600 | (9,341) | (1,740) | 1,790 | (11,147) | (9,357) |
| 2.2 Loans | - | - | - | - | - | - |
| **Total assets (A)** | **78,516** | **(41,325)** | **37,191** | **114,889** | **(89,329)** | **25,560** |
| **B. Financial liabilities measured at amortized cost** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - |
| 3. Securities issued | 132 | - | 132 | 1 | (119) | (117) |
| **Total liabilities (B)** | **132** | **-** | **132** | **1** | **(119)** | **(117)** |

## 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** | **3,526** | **1,243** | **(461)** | **(161)** | **4,147** |
| 1.1 Debt securities | 3,526 | 1,243 | (461) | (161) | 4,147 |
| 1.2 Loans | - | - | - | - | - |
| **2. Financial liabilities** | **-** | **-** | **(9,062)** | **-** | **(9,062)** |
| 2.1 Securities issued | - | - | - | - | - |
| 2.2 Due to banks | - | - | (9,062) | - | (9,062) |
| 2.3 Due to customers | - | - | - | - | - |
| **3. Financial assets and liabilities: foreign exchange rate differences** | **X** | **X** | **X** | **X** | **-** |
| **Total** | **3,526** | **1,243** | **(9,524)** | **(161)** | **(4,916)** |

### 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** | **10,757** | **1,929** | **(14,075)** | **(147)** | **(1,535)** |
| 1.1 Debt securities | 1,436 | 1,145 | (113) | (141) | 2,327 |
| 1.2 Equity securities | 7,223 | 784 | (6) | - | 8,000 |
| 1.3 Units in collective investment undertakings | 2,094 | - | (13,955) | (6) | (11,868) |
| 1.4 Loans | 5 | - | - | - | 5 |
| **2. Financial assets: foreign exchange rate differences** | **X** | **X** | **X** | **X** | **-** |
| **Total** | **10,757** | **1,929** | **(14,075)** | **(147)** | **(1,535)** |

## 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) | | | | Total | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | 31/12/2023 | 31/12/2022 |
| | | | Writeoffs | Other | Writeoffs | Other | | | | | | |
| **A. Due from banks** | **(1,123)** | **(40)** | **-** | **-** | **-** | **-** | **606** | **-** | **-** | **-** | **(557)** | **3,666** |
| - loans | (969) | - | - | - | - | - | 68 | - | - | - | (900) | 3,241 |
| - debt securities | (155) | (40) | - | - | - | - | 537 | - | - | - | 343 | 425 |
| **B. Loans to customers** | **(6,953)** | **(8,595)** | **(49,512)** | **(36,552)** | **-** | **-** | **19,649** | **11,560** | **45,046** | **-** | **(25,358)** | **19,991** |
| - loans | (6,209) | (7,773) | (49,512) | (36,346) | - | - | 18,347 | 11,525 | 45,046 | - | (24,922) | 17,370 |
| - debt securities | (745) | (822) | - | (206) | - | - | 1,303 | 35 | - | - | (435) | 2,621 |
| **Total** | **(8,076)** | **(8,635)** | **(49,512)** | **(36,552)** | **-** | **-** | **20,255** | **11,560** | **45,046** | **-** | **(25,915)** | **23,657** |

### 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) | | | | Total | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | 31/12/2023 | 31/12/2022 |
| | | | Writeoffs | Other | Writeoffs | Other | | | | | | |
| **A. Debt securities** | **(333)** | **(605)** | **-** | **-** | **-** | **-** | **894** | **114** | **-** | **-** | **69** | **(1,066)** |
| **B. Loans** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - to customers | - | - | - | - | - | - | - | - | - | - | - | - |
| - to banks | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **(333)** | **(605)** | **-** | **-** | **-** | **-** | **894** | **114** | **-** | **-** | **69** | **(1,066)** |

## SECTION 9 - GAINS (LOSSES) FROM CONTRACT MODIFICATIONS WITHOUT DERECOGNITION – ITEM 140

There were no such positions as of the reporting date.

## SECTION 10 - ADMINISTRATIVE EXPENSES – ITEM 160

### 10.1 PERSONNEL EXPENSES: COMPOSITION

| | | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|---|
| 1) Employees | | (218,194) | (201,164) |
| a) wages and salaries | | (145,531) | (140,082) |
| b) social security contributions | | (38,993) | (32,857) |
| c) termination benefits | | (1,829) | (1,862) |
| d) pension expenses | | - | - |
| e) allocation to employee termination benefit provision | | (1,176) | (796) |
| f) allocation to provision for post-employment benefits and similar obligations: | | - | - |
| - defined contribution | | - | - |
| - defined benefit | | - | - |
| g) payments to external pension funds: | | (13,438) | (12,611) |
| - defined contribution | | (13,438) | (12,611) |
| - defined benefit | | - | - |
| h) costs in respect of agreements to make payments in own equity instruments | | - | - |
| i) other employee benefits | | (17,226) | (12,956) |
| 2) Other personnel | | (596) | (568) |
| 3) Board of Directors and members of Board of Auditors | | (3,447) | (3,310) |
| 4) Retired personnel | | - | - |
| 5) Recovery of expenses for employees seconded to other companies | | 8,906 | 8,615 |
| 6) Reimbursement of expenses for third-party employees seconded to the Company | | (734) | (652) |
| | **Total** | **(214,065)** | **(197,079)** |

### 10.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **Employees:** | **1,980** | **1,960** |
| a) senior management | 104 | 103 |
| b) middle management | 1,147 | 1,112 |
| c) other employees | 729 | 745 |
| **Other personnel** | **-** | **-** |
| **Total** | **1,980** | **1,960** |

The average number of employees is calculated as the weighted average number of employees using the number of months worked during the year as weights. Part-time employees are included at 50%.

### 10.3 DEFINED-BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES

The table has not been completed because there were no such positions as of the reporting date.

## 10.4 OTHER EMPLOYEE BENEFITS

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| early termination incentives and the income support fund | (4,765) | (2,785) |
| meal vouchers | (2,506) | (2,520) |
| insurance policies for the employees | (1,435) | (1,385) |
| training | (2,326) | (1,437) |
| loyalty bonuses | (356) | 124 |
| other benefits | (5,838) | (4,954) |
| **Total** | **(17,226)** | **(12,956)** |

## 10.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Information technology | (132,829) | (129,699) |
| Property and movables | (24) | (21) |
| - rental and fees | (24) | (10) |
| - ordinary maintenance | - | (11) |
| Goods and services | (12,446) | (11,487) |
| - telephone and data transmission | (4,524) | (5,099) |
| - postal | (201) | (2,031) |
| - asset transport and counting | (114) | (340) |
| - electricity, heating and water | (611) | - |
| - transportation and travel | (6,569) | (3,512) |
| - office supplies and printed materials | (164) | (149) |
| - subscriptions, magazines and newspapers | (263) | (356) |
| Professional services | (46,901) | (40,940) |
| - professional fees (other than audit fees) | (41,633) | (33,455) |
| - audit fees | (1,033) | (1,200) |
| - legal and notary costs | (4,236) | (6,286) |
| Administrative services | (10,700) | (15,411) |
| Insurance | (2,909) | (2,757) |
| Promotional, advertising and entertainment expenses | (8,767) | (9,645) |
| Association dues | (4,035) | (3,834) |
| Donations | (60) | (120) |
| Other | (22,485) | (22,639) |
| Indirect taxes and duties | (27,489) | (28,549) |
| - stamp duty | (2,656) | (4,129) |
| - tax under DPR 601/73 | (899) | (80) |
| - municipal property tax | (313) | - |
| - financial transaction fee | (468) | (421) |
| - other indirect taxes and duties | (23,153) | (23,919) |
| **Total** | **(268,646)** | **(265,102)** |

## SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 170

### 11.1 NET PROVISIONS FOR CREDIT RISK IN RESPECT OF COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: COMPOSITION

| | 31/12/2023 | | |
|---|---|---|---|
| | Provisions | Reallocation of excesses | Total |
| Commitments to disburse funds Stage 1 | (900) | 2,439 | 1,539 |
| Commitments to disburse funds Stage 2 | (131) | 2,886 | 2,754 |
| Commitments to disburse funds Stage 3 | (614) | 614 | - |
| Financial guarantees issued Stage 1 | (1,048) | 4,994 | 3,946 |
| Financial guarantees issued Stage 2 | (3,616) | 3,372 | (244) |
| Financial guarantees issued Stage 3 | (1,139) | 49 | (1,090) |
| **Total** | **(7,447)** | **14,353** | **6,906** |

Provisions and reversals also include the effect of the passage of time (discounting effect).

For further details on the impairment model adopted by the Bank and used to determine the net provisions shown in the table, see Part A “Accounting Policies” of the notes to the financial statements.

### 11.2 NET PROVISIONS IN RESPECT OF OTHER COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: COMPOSITION

The table has not been completed because there were no such positions as of the reporting date.

### 11.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: COMPOSITION

| | 31/12/2023 | | |
|---|---|---|---|
| | Provisions | Reallocation of excesses | Total |
| Legal disputes | (312) | 539 | 227 |
| Other | (122,275) | - | (122,275) |
| **Total** | **(122,587)** | **539** | **(122,048)** |

Provisions for other risks and charges are mainly attributable to the new bancassurance arrangements (€68 million) and e-money performance bonuses (€54 million). For more information, please see the Report on Operations.

## SECTION 12 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 180

### 12.1 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** | | | | |
| A.1 Operating assets | (2,361) | - | 658 | (1,703) |
| - owned | (723) | - | 658 | (66) |
| - right-of-use assets acquired under leases | (1,638) | - | - | (1,638) |
| A.2 Investment property | - | - | - | - |
| - owned | - | - | - | - |
| - right-of-use assets acquired under leases | - | - | - | - |
| A.3 Inventories | X | - | - | - |
| **B. Assets held for sale** | **X** | **-** | **-** | **-** |
| **Total** | **(2,361)** | **-** | **658** | **(1,703)** |

## SECTION 13 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 190

### 13.1 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 | (288) | - | - | (288) |
| A.1 Owned | (288) | - | - | (288) |
| - generated internally by the Bank | - | - | - | - |
| - other | (288) | - | - | (288) |
| A.2 Right-of-use assets acquired under leases | - | - | - | - |
| **Total** | **(288)** | **-** | **-** | **(288)** |

## SECTION 14 - OTHER OPERATING EXPENSES - ITEM 200

### 14.1 OTHER OPERATING EXPENSES: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| Reductions in assets and prior-year expenses not attributable to separate line item | (116) | (354) |
| Other charges | (2,571) | (93,850) |
| **Total** | **(2,687)** | **(94,204)** |

## 14.2 OTHER OPERATING INCOME: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A) Recoveries** | **40,191** | **36,315** |
| Recovery of taxes | 1,103 | 1,433 |
| Recovery of sundry charges | 37,795 | 33,502 |
| Insurance premiums | 1,294 | 1,380 |
| Property rental income | - | 1 |
| **B) Other income** | **180,090** | **172,058** |
| Insourcing revenues | 118,373 | 117,789 |
| Property rental income | 134 | - |
| Reductions in liabilities and prior-year income not attributable to separate line item | 428 | 915 |
| Other income | 61,155 | 53,354 |
| **Total** | **220,281** | **208,373** |

## SECTION 15 - PROFIT (LOSS) FROM EQUITY INVESTMENTS - ITEM 220

## 15.1 PROFIT (LOSS) FROM EQUITY INVESTMENTS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| **A. Income** | **10,400** | **439,900** |
| 1. Revaluations | - | - |
| 2. Gains on disposal | - | 439,900 |
| 3. Writebacks | - | - |
| 4. Other income | 10,400 | - |
| **B. Expenses** | **(597)** | **(2,064)** |
| 1. Writedowns | - | - |
| 2. Impairment losses | - | (2,064) |
| 3. Losses on disposal | - | - |
| 4. Other expenses | (597) | - |
| **Net profit (loss)** | **9,803** | **437,836** |

## SECTION 16 - NET ADJUSTMENT TO FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS - ITEM 230

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 17 - GOODWILL IMPAIRMENT - ITEM 240

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 18 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 250

The section has not been completed because there were no such positions as of the reporting date.

## SECTION 19 - INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 270

### 19.1 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Current taxes (-) | 15,917 | 15,164 |
| 2. Change in current taxes from previous period (+/-) | (971) | (130) |
| 3. Reduction of current taxes for the period (+) | - | 2,722 |
| 3.bis Reduction of current taxes for the period for tax credits under Law 214/2011 (+) | - | - |
| 4. Change in deferred tax assets (+/-) | 27,081 | (3,902) |
| 5. Change in deferred tax liabilities (+/-) | - | - |
| **6. Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)** | **42,027** | **13,854** |

## 19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

| IRES | 31/12/2023 | |
|---|---|---|
| | Taxable income | Tax |
| Loss before tax on continuing operations (item 260 IS) | (33,207) | |
| Current rate | | 24% |
| Theoretical tax liability (24%) | | - |
| **Greater tax liability due to increases (taxable income)/Greater tax liability due to increases (tax)** | **137,170** | **-** |
| Temporary | | |
| - Changes during the year | 131,329 | |
| Definitive | | |
| - Reversal of prior-year temporary differences | - | |
| - Changes during the year | 5,842 | |
| **Lower tax liability due to decreases** | **180,581** | **-** |
| Temporary | | |
| - Changes during the year | 17,903 | |
| Definitive | | |
| - Reversal of prior-year temporary differences | 162,678 | |
| - Changes during the year | - | |
| - Deductions up to limit of taxable income | - | |
| Taxable income (loss) | - | |
| Current gross tax | | - |
| IRES surtax rate | | - |
| IRES income from consolidated taxation mechanism | | 18,388 |
| Tax credits | | - |
| Current net tax in income statement | | 18,388 |
| Changes in current tax/deferred tax assets/deferred tax liabilities(+/-) | | 26,117 |
| Tax liability for the year | | 44,505 |

| IRAP | 31/12/2023 | |
|---|---|---|
| | Taxable income | Tax |
| Profit (loss) before tax for IRAP purposes (item 260 IS) | (33,207) | |
| Profit before tax on continuing operations (item 260 IS) | - | |
| Loss before tax on continuing operations (item 260 IS) | | |
| Current rate | | 4.65% |
| Theoretical tax liability (ordinary rate 4.65%) | | 1,544 |
| | | |
| Items not included in determination of income | (150,034) | 6,977 |
| - Revenue and income (-) | (200,031) | |
| - Costs and charges (+) | 49,997 | |
| | | |
| **Greater tax liabilities due to increases (taxable income)/ Greater tax liabilities due to increases (tax)** | **227,737** | **(10,590)** |
| Temporary | - | |
| - Changes during the year | - | |
| | | |
| Definitive | | |
| - Reversal of prior-year temporary differences | - | |
| - Changes during the year | 227,737 | |
| | | |
| **Lower tax liability due to decreases** | **120** | **6** |
| Temporary | - | |
| - Changes during the year | - | |
| | | |
| Definitive | | |
| - Reversal of prior-year temporary differences | 120 | |
| - Changes during the year | - | |
| | | |
| Value of production | 44,375 | |
| Current tax | | (2,063) |

| | |
|---|---|
| Effect of regional surtaxes/tax relief (+/-) | (408) |
| Current tax in income statement | (2,472) |
| Changes in current tax/deferred tax assets/deferred tax liabilities (+/-) | (7) |
| Tax liability for the year | (2,478) |

| TAX IN LIEU | 31/12/2023 | |
|---|---|---|
| | Taxable income | Tax |
| Tax in lieu (c) | | - |
| Total income tax expense (item 270 IS) | | 42,027 |

## SECTION 20 - PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX - ITEM 290

### 20.1 PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX: COMPOSITION

| | Total 31/12/2023 | Total 31/12/2022 |
|---|---|---|
| 1. Revenue | 9,103 | 122,462 |
| 2. Expense | - | (112,564) |
| 3. Result of measurement of groups of assets and associated liabilities | - | - |
| 4. Gain (loss) on realization | 100,000 | - |
| 5. Taxes and duties | (30,003) | (2,722) |
| **Profit (loss)** | **79,100** | **7,176** |

### 20.2 BREAKDOWN OF INCOME TAXES ON DISCONTINUED OPERATIONS

| | Amount 31/12/2023 | Amount 31/12/2022 |
|---|---|---|
| 1. Current taxes (-) | (30,003) | (2,722) |
| 2. Change in deferred tax assets (+/-) | - | - |
| 3. Change in deferred tax liabilities (-/+) | - | - |
| **4. Income taxes for the period (-1+/-2+/-3)** | **(30,003)** | **(2,722)** |

## SECTION 21 – OTHER INFORMATION

No other information necessary.

## SECTION 22 - EARNINGS PER SHARE

### 22.1 AVERAGE NUMBER OF ORDINARY SHARES IN DILUTED SHARE CAPITAL

The ordinary shares of Iccrea Banca are not traded on a public market and the company does not file its financial statements with CONSOB in order to issue ordinary shares on a public market. Accordingly, IAS 33 does not apply.

### 22.2 OTHER INFORMATION

The section is not completed in these notes to the financial statements; please see the same section in the notes to the consolidated financial statements.

# PART D - COMPREHENSIVE INCOME

## BREAKDOWN OF COMPREHENSIVE INCOME

| | | 31/12/2023 | 31/12/2022 |
|---|---|---|---|
| **10.** | **Net profit (loss) for the period** | **87,920** | **439,793** |
| | **Other comprehensive income not recyclable to profit or loss** | **7,451** | **563** |
| 20. | Equity securities designated as at fair value through other comprehensive income: | 11,887 | (1,397) |
| | a) fair value changes | 11,887 | (1,397) |
| | b) transfers to other elements of shareholders' equity | - | - |
| 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 shareholders' 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 | (207) | 1,720 |
| 80. | Non-current assets held for sale | - | - |
| 90. | Valuation reserves of equity investments accounted for with equity method | - | - |
| 100. | Income taxes on other comprehensive income not recyclable to profit or loss | (4,229) | 240 |
| | **Other comprehensive income recyclable to profit or loss** | **25,465** | **(27,367)** |
| 110. | Hedging of investments in foreign operations: | - | - |
| | a) fair value changes | - | - |
| | b) reversal to income statement | - | - |
| | c) other changes | - | - |
| 120. | Foreign exchange differences: | - | - |
| | a) value changes | - | - |
| | b) reversal to income statement | - | - |
| | c) other changes | - | - |
| 130. | Cash flow hedges: | 26,102 | (25,957) |
| | a) fair value changes | 25,902 | (26,303) |
| | b) reversal to income statement | 200 | 346 |
| | c) other changes | - | - |
| | of which: result on net positions | - | - |
| 140. | Hedging instruments (undesignated elements): | - | - |
| | a) fair value changes | - | - |
| | b) reversal to income statement | - | - |
| | c) other changes | - | - |
| 150. | Financial assets (other than equity securities) measured at fair value through other comprehensive income: | 11,979 | (15,459) |
| | a) fair value changes | 3,109 | (18,569) |
| | b) reversal to income statement | 8,870 | 3,109 |
| | - adjustments for credit risk | (69) | 1,066 |
| | - gain/loss on realization | 8,940 | 2,043 |
| | c) other changes | - | - |
| 160. | Non-current assets and disposal groups held for sale: | - | - |
| | a) fair value changes | - | - |
| | b) reversal to income statement | - | - |
| | c) other changes | - | - |
| 170. | Valuation reserves of equity investments accounted for with equity method: | - | - |
| | a) fair value changes | - | - |
| | b) reversal to income statement | - | - |
| | - impairment adjustments | - | - |
| | - gain/loss on realization | - | - |
| | c) other changes | - | - |
| 180. | Income taxes on other comprehensive income recyclable to profit or loss | (12,616) | 14,049 |
| **190.** | **Total other comprehensive income** | **32,916** | **(26,805)** |
| **200.** | **Comprehensive income (item 10+190)** | **120,836** | **412,989** |

# PART E - RISK AND RISK MANAGEMENT POLICIES

## INTRODUCTION

The 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 2023 the organizational structure of Risk Management function of the Parent Company underwent further fine-tuning, both in terms of the evolution of the overall structure and the refinement of existing arrangements. 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 concerning ESG risks and issues. This unit is sub-divided into the following organizational units:
  - the "Mutual banks Risk Management units" (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;
  - ""BCC 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;
- a "Group Risk Governance" unit, 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). In addition, operating through a specific sub-unit, the unit acts as the internal reference unit within the Risk management function for climate and environmental risks and ESG issues;
- 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 estimation, integration and management of specific risks, as well as the assessment and monitoring of those risks, the identification of any risk mitigation

measures; (ii) acting through the Risk Validation and Control function, the unit validates models developed internally to quantify risks and manages risk control arrangements for credit exposures at the Group level; (iii) oversees risk management activities for the companies within the direct scope, governed by a specific service agreement, coordinating communication with the other specialized units of the Risk Management function; iv) 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. This unit is sub-divided into the following organizational units:

- Credit Risk Management
- Financial Risk Management
- Operational & Reputational Risk Management
- Validation and Risk Control;

- an "*ICT & Security Risk Management*" unit", which is responsible for the management and oversight of ICT and Security risks at the Group level. 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. In this context, the function operates as a transversal competence center for the definition and evolutionary maintenance of the ICT and Security risk management 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 as a Group, 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 ICBG'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 – CREDIT RISK

## QUALITATIVE DISCLOSURES

### 1. GENERAL ASPECTS

In accordance with the organizational model established at the 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.

As Parent Company, and on the basis of the provision of the Cohesion Contract signed in March 2019 among the Group companies, Iccrea Banca 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 individual entities, in agreement with the Parent Company;
- 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 as defined in the Cohesion Contract, Banca Iccrea 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 Parent Company's 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 Circular No. 285/2013, Part One, Title IV, Chapter 3), Iccrea Banca has adopted a governance structure and operational arrangements to ensure the adequate monitoring of credit risk at the Group level in the various phases of the process.

In this respect, the CLO area:

- performs guidance and coordination activities for all phases of the credit process (granting, 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 credit transactions from companies in 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.

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).

In compliance with the supervisory provisions governing the correct identification of the risk assumed, or to be assumed, in respect of a "group of connected clients", any legal or economic connections between clients are detected and evaluated by those responsible for analyzing creditworthiness during the application assessment phase of the lending process.

These objectives are achieved through an analysis that involves the acquisition of all available information such as financial statements, where available at Group level, or aggregated financial statements of the main entities involved, for subsequent processing, ad hoc information on intercompany items of a financial and operating nature that may not be reported in the financial statements, or on operating flows between Group companies, on the presence of centralized treasury operations and, more generally, on the activities, the market and the competitors of the Group and all entities connected with it.

The Group's monitoring process for lending breaks down in several phases, which provide for the timely detection of exposures affected by an appreciable increase in credit risk, with their consequent allocation to specific management portfolios to which a specific strategy is associated for the purpose of risk mitigation and limiting the flow of new expected defaults.

## 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) 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, verifying the adequacy and comprehensiveness of the processes and activities performed by the relevant units, the consistency and validity of the analyses performed and the associated findings.

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 Iccrea Cooperative Banking Group for credit risk, the analysis, identification and control activities performed by the Risk Management function pursuant to Circular 285.

The performance of this activity involved, over two six-month cycles, 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 Bank 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, 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 undergo verification of any differences in PD at origination and PD at the reporting date.

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, in particular the PD, by type of counterparty, sector of economic activity and geographical area. To determine the macroeconomic conditioning measures to be applied in the calculation, 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%.

At 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.

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 current ECL calculation, which led to the definition of an activity plan for the improvement of the system.

As noted above, 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.

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 ordinary updating of the macroeconomic scenarios was applied in accordance with the most update of those scenarios (September 2023).

### 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 lending institution shall take all appropriate steps 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 formalization of techniques and operating procedures adequate to ensure continuing compliance over time with the general and specific requirements required for CRM techniques. These procedures must be valid and applied by all Group companies in order to avoid possible inconsistencies in the assessment. Checks shall be 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 counterparties shall also be controlled and managed.

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.

## 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.

Credit exposures that have been granted a forbearance measure[50] by the Bank in the event that the customer is in or close to a situation of financial difficulty in meeting is payment obligations ("troubled debt") are defined such as "forbearance exposures". In identifying forborne exposures, the regulations require a transaction-by-transaction approach, regardless of their classification (impaired past due and/or overlimit exposures, unlikely to pay exposures or defaults): although the state of financial difficulty must be ascertained at level of the debtor, only the exposures referred to the latter that have actually been granted forbearance measures must be classified as forborne.

These classification rules are further supplemented by that established in IFRS 9, according to which credit exposures must be allocated to three stages (for more details, see the previous discussion). Among impaired exposures, allocation to stage "3" is underscored, which occurs when the customer's status changes to "non-performing".

For the purposes of identifying non-performing exposures, the Group:

- has operational arrangements under which, depending on the intervention to be undertaken, positions can be managed using a centralized approach by the competent Parent Company functions, a decentralized approach by the individual Group companies or a collaborative approach between the Parent Company and Group companies;
- applies a unified and harmonized definition of NPLs in all Group companies, consistent with the applicable regulatory provisions;
- considers legal and financial connections between counterparties and adopts a group perspective in identifying the exposure of a debtor as impaired (default propagation).

[50] In general, a forbearance measure means an operation by which the creditor, applying principles of economic rationality, grants forbearance to the borrower in consideration of the borrower's financial difficulties. This concession takes the form of the creditor's waiver of certain contractually defined rights which translates into an immediate or deferred benefit - of a financial or economic nature - for the debtor.

Within this approach, the individual Group companies transpose into their own rules the principles and rules established in Group policies for the management and recovery of troubled exposures and NPEs in line with the specific features of the territory in which they operate, their size, their business model and the related organizational structure.

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.

In order to ensure the quality of the management of non-performing exposures by the specified personnel, all Group companies have developed a system for measuring the performance of senior management and the organizational structures dedicated to management of non-performing exposures. In particular, In accordance with the principle of proportionality, the individual Group companies define their own performance evaluation and monitoring systems in line with Group policy, based on a number of quantitative and qualitative factors, of which the following list provides a few examples:

- 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 ageing 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.

### 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

The classification of exposures into "impaired past due and/or overlimit" exposures, "unlikely-to-pay" exposures or "bad loans" also provides for the identification – for both performing and non-performing portfolios - of "forborne" exposures. These credit exposures are subject to a forbearance measure granted to a customer who is already facing a situation of financial difficulty in meeting their payment commitments ("troubled debt"), or is about to do so, and which would not have been granted if that customer had not found themselves in such a situation. This classification holds regardless of whether the counterparty is past due, overlimit or classified as in default. To identify an exposure as forborne, both of the following conditions must be verified:

- the existence of the financial difficulties that the obligor is facing or is about to face. The assessment of financial difficulty is based on the obligor, which comprises all natural and legal persons belonging to their group (group of connected customers): the assessment therefore also extends to these latter persons in order to verify whether situations of difficulty at the group level may compromise the obligor's ability to meet their obligations. The assessment of financial difficulty is performed without taking account of the guarantees issued by the obligor or third parties. The Group's IT applications report the presence or absence of financial difficulty faced by the counterparty with specific disclosures on the company IT systems used in the classification process;

- the exposure is the subject of a forbearance measure (renegotiation of the contractual conditions and/or of a repayment or refinancing plan, etc.) granted with the prime objective of enabling non-performing borrowers to return to performing status or to prevent performing borrowers from entering non-performing status. Forbearance measures should always seek to return the exposure to a situation of sustainable repayment.

The Group defines forbearance measures as:

- contract modifications granted in favor of a debtor solely in consideration of the debtor's financial difficulties and not solely on the basis of commercial grounds/practice;
- the grant of total or partial refinancing to a debtor in financial difficulties in order to enable the debtor to 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;
- contract modifications that can be requested by a debtor under the terms of a contract already agreed in the knowledge that the debtor is experiencing financial difficulties (embedded forbearance clauses).

The attribution of "forborne" to a credit exposure does not represent an additional classification status to those currently provided for in supervisory regulations and the internal rules of the Group to which reference is made for those purposes. Forborne status must be 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.

Forbearance measures cannot be granted to customers with credit exposures classified as bad loans or bank counterparties.

## 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 | 2,046 | 50,592 | 119 | 267,765 | 48,182,386 | 48,502,908 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | 928,294 | 928,294 |
| 3. Financial assets designated as at fair value | - | - | - | - | 338,401 | 338,401 |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | 19,582 | 19,582 |
| 5. Financial assets held for sale | - | - | - | - | - | - |
| **Total 31/12/2023** | **2,046** | **50,592** | **119** | **267,765** | **49,468,662** | **49,789,185** |
| **Total 31/12/2022** | **7,063** | **33,695** | **2,137** | **40,878** | **52,122,967** | **52,206,741** |

## A.1.2 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

| | Impaired | | | | Unimpaired | | | Total (net exposure) |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Total writedowns | Net exposure | Total partial writeoffs * | Gross exposure | Total writedowns | Net exposure | |
| 1. Financial assets measured at amortized cost | 178,966 | 126,208 | 52,758 | 29,300 | 48,497,622 | 47,472 | 48,450,150 | 48,502,908 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | 929,842 | 1,547 | 928,294 | 928,294 |
| 3. Financial assets designated as at fair value | - | - | - | - | X | X | 338,401 | 338,401 |
| 4. Other financial assets mandatorily measured at fair value | - | - | - | - | X | X | 19,582 | 19,582 |
| 5. Financial assets held for sale | - | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **178,966** | **126,208** | **52,758** | **29,300** | **49,427,464** | **49,019** | **49,736,427** | **49,789,185** |
| **Total31/12/2022** | **177,453** | **134,558** | **42,895** | **29,478** | **51,894,514** | **64,699** | **52,163,846** | **52,206,741** |

| | Assets with evidently poor credit quality | | Other assets |
|---|---|---|---|
| | Cumulative losses | Net exposure | Net exposure |
| 1. Financial assets held for trading | - | - | 1,152,973 |
| 2. Hedging derivatives | - | - | 163,309 |
| **Total 31/12/2023** | **-** | **-** | **1,316,282** |
| **Total 31/12/2022** | **-** | **-** | **2,312,828** |

**Value to be reported for information purposes*

## A.1.3 DISTRIBUTION OF FINANCIAL ASSETS BY TIME PAST DUE (CARRYING AMOUNT)

| | Stage 1 | | | Stage 2 | | | Stage 3 | | | Purchased or originated credit-impaired | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Up to 30 days | From 30 to 90 days | More than 90 days | Up to 30 days | From 30 to 90 days | More than 90 days | Up to 30 days | From 30 to 90 days | More than 90 days | Up to 30 days | From 30 to 90 days | More than 90 days |
| 1. Financial assets measured at amortized cost | 254,236 | 160 | - | 5,101 | 1,995 | 6,273 | 4,483 | 3,072 | 28,499 | - | - | - |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Financial assets held for sale | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **254,236** | **160** | **-** | **5,101** | **1,995** | **6,273** | **4,483** | **3,072** | **28,499** | **-** | **-** | **-** |
| **Total 31/12/2022** | **18,098** | **4,225** | **-** | **13,870** | **4,467** | **218** | **589** | **4,159** | **20,638** | **-** | **-** | **-** |

## A.1.4 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: DEVELOPMENTS IN TOTAL WRITEDOWNS AND TOTAL PROVISIONS

| | Total writedowns | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | | | | | | Stage 2 | | | | | | Stage 3 | | | | | |
| | Demand claims on banks and central banks | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Demand claims on banks and central banks | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Demand claims on banks and central banks | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns |
| **Opening balance** | **405** | **20,644** | **250** | **-** | **-** | **21,299** | **40** | **42,438** | **1,367** | **-** | **-** | **43,845** | **-** | **116,747** | **-** | **17,811** | **134,558** | **-** |
| Increases in financial assets purchased or originated | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Derecognition other than write-offs | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,504) | - | - | (1,504) | - |
| Net writedowns/writebacks for credit risk | (24) | (4,311) | 182 | - | - | (4,154) | 116 | (11,178) | (251) | - | - | (11,313) | - | 12,315 | - | (17,811) | (7,858) | 2,362 |
| Contractual modifications without derecognition | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Change in estimation method | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Writeoffs not recognized directly through profit or loss | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,556) | - | - | (1,556) | - |
| Other changes | - | - | - | - | - | - | - | (121) | - | - | - | (121) | - | 207 | - | - | 207 | - |
| **Closing balance** | **381** | **16,333** | **431** | **-** | **-** | **17,145** | **156** | **31,139** | **1,116** | **-** | **-** | **32,411** | **-** | **126,208** | **-** | **-** | **123,846** | **2,362** |
| Recoveries from collection on written-off financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Writeoffs recognized directly through profit or loss | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| | Total writedowns - Of which: purchased or originated credit-impaired | | | | | Total provisions for commitments to disburse funds and financial guarantees | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Financial assets measured at amortized cost | Financial assets measured at fair value through other comprehensive income | Financial assets held for sale | of which: individual writedowns | of which: collective writedowns | Stage 1 | Stage 2 | Stage 3 | Commitments to disburse funds and financial guarantees purchased or originated credit impaired | Total |
| **Opening balance** | **-** | **-** | **-** | **-** | **-** | **8,639** | **11,268** | **10,892** | **-** | **230,501** |
| Increases in financial assets purchased or originated | X | X | X | X | X | - | - | - | - | **-** |
| Derecognition other than write-offs | - | - | - | - | - | - | - | - | - | **(1,504)** |
| Net writedowns/writebacks for credit risk | - | - | - | - | - | (2,742) | (5,237) | 1,074 | - | **(27,869)** |
| Contractual modifications without derecognition | - | - | - | - | - | - | - | - | - | **-** |
| Change in estimation method | - | - | - | - | - | - | - | - | - | **-** |
| Writeoffs not recognized directly through profit or loss | - | - | - | - | - | - | - | - | - | **(1,556)** |
| Other changes | - | - | - | - | - | - | - | - | - | **86** |
| **Closing balance** | **-** | **-** | **-** | **-** | **-** | **5,897** | **6,031** | **11,966** | **-** | **199,657** |
| Recoveries from collection on written-off financial assets | - | - | - | - | - | - | - | - | - | **-** |
| Writeoffs recognized directly through profit or loss | - | - | - | - | - | - | - | - | - | **-** |

### A.1.5 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)

| | Gross exposure/nominal value | | | | | |
|---|---|---|---|---|---|---|
| | Transfers between stage 1 and stage 2 | | Transfers between stage 2 and stage 3 | | Transfers between stage 1 and stage 3 | |
| | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 | From stage 3 to stage 2 | From stage 1 to stage 3 | From stage 3 to stage 1 |
| 1. Financial assets measured at amortized cost | 198,832 | 151,364 | 21,780 | - | 23,908 | 18 |
| 2. Financial assets measured at fair value through other comprehensive income | - | - | - | - | - | - |
| 3. Financial assets held for sale | - | - | - | - | - | - |
| 4. Commitments to disburse funds and financial guarantees issued | 27,632 | 105,553 | 113 | - | 3,382 | - |
| **Total 31/12/2023** | **226,463** | **256,917** | **21,893** | **-** | **27,291** | **18** |
| **Total 31/12/2022** | **250,634** | **263,288** | **16,725** | **8,230** | **4,675** | **461** |

The following table reports loans outstanding at the reporting date that were granted within the scope of public guarantee mechanisms established in response to the COVID-19 emergency. The table reports changes in risk staging during the year. The new lending includes, inter alia, financial assets recognized following the grant of forbearance measures that involved a refinancing with derecognition of the original assets and recognition of a new loan, or a restructuring of multiple liabilities with the recognition of a new loan.

### LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS VALUES)

| | Gross values | | | | | |
|---|---|---|---|---|---|---|
| | Transfers between stage 1 and stage 2 | | Transfers between stage 2 and stage 3 | | Transfers between stage 1 and stage 3 | |
| | From stage 1 to stage 2 | From stage 2 to stage 1 | From stage 2 to stage 3 | From stage 3 to stage 2 | From stage 1 to stage 3 | From stage 3 to stage 1 |
| Loans measured at amortized cost | 198,832 | 151,364 | 21,780 | - | 23,908 | 18 |
| Loans measured at fair value through other comprehensive income | - | - | - | - | - | - |
| **Total 31/12/2023** | **198,832** | **151,364** | **21,780** | **-** | **23,908** | **18** |

## A.1.6 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** | **4,665,022** | **4,608,208** | **56,814** | **-** | **-** | **183** | **27** | **156** | **-** | **-** | **4,664,839** | **-** |
| a) Impaired | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 4,665,022 | 4,608,208 | 56,814 | X | - | 183 | 27 | 156 | X | - | 4,664,839 | - |
| **A.2 Other** | **31,109,677** | **31,005,363** | **60,608** | **-** | **-** | **2,782** | **650** | **2,132** | **-** | **-** | **31,106,895** | **-** |
| a) Bad loans | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Unlikely to pay | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| c) Impaired past due exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| d) Unimpaired past due exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| - of which: forborne exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| e) Other unimpaired assets | 31,109,677 | 31,005,363 | 60,608 | X | - | 2,782 | 650 | 2,132 | X | - | 31,106,895 | - |
| - of which: forborne exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| **Total (A)** | **35,774,699** | **35,613,570** | **117,422** | **-** | **-** | **2,965** | **677** | **2,287** | **-** | **-** | **35,771,734** | **-** |
| **B. Off-balance-sheet exposures** | | | | | | | | | | | | |
| a) Impaired | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 8,628,059 | 7,343,093 | 43,620 | X | - | 60 | 12 | 48 | X | - | 8,627,999 | - |
| **Total (B)** | **8,628,059** | **7,343,093** | **43,620** | **-** | **-** | **60** | **12** | **48** | **-** | **-** | **8,627,999** | **-** |
| **Total (A+B)** | **44,402,758** | **42,956,663** | **161,042** | **-** | **-** | **3,025** | **690** | **2,335** | **-** | **-** | **44,399,733** | **-** |

**Value to be reported for information purposes*

## A.1.7 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

| | Gross exposure | | | | | Total writedowns and total provisions | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | Net exposure | Total partial writeoffs* |
| **A. On-balance-sheet exposures** | | | | | | | | | | | | |
| a) Bad loans | 20,131 | X | - | 20,131 | - | 18,085 | X | - | 18,085 | - | 2,046 | 29,300 |
| - of which: forborne exposures | 5,222 | X | - | 5,222 | - | 4,442 | X | - | 4,442 | - | 780 | 470 |
| b) Unlikely to pay | 158,664 | X | - | 158,664 | - | 108,072 | X | - | 108,072 | - | 50,592 | - |
| - of which: forborne exposures | 94,897 | X | - | 94,897 | - | 70,576 | X | - | 70,576 | - | 24,321 | - |
| c) Impaired past due exposures | 170 | X | - | 170 | - | 51 | X | - | 51 | - | 119 | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| d) Unimpaired past due exposures | 268,562 | 254,606 | 13,956 | X | - | 797 | 210 | 587 | X | - | 267,765 | - |
| - of which: forborne exposures | 1,604 | - | 1,604 | X | - | 117 | - | 117 | X | - | 1,487 | - |
| e) Other unimpaired assets | 18,482,237 | 17,478,460 | 614,470 | X | - | 45,440 | 15,903 | 29,536 | X | - | 18,436,797 | - |
| - of which: forborne exposures | 101,211 | 422 | 100,789 | X | - | 7,767 | - | 7,767 | X | - | 93,444 | - |
| **Total (A)** | **18,929,765** | **17,733,066** | **628,427** | **178,966** | **-** | **172,445** | **16,114** | **30,124** | **126,208** | **-** | **18,757,319** | **29,300** |
| **B. Off-balance-sheet exposures** | | | | | | | | | | | | |
| a) Impaired | 19,364 | X | - | 19,364 | - | 11,966 | X | - | 11,966 | - | 7,398 | - |
| b) Unimpaired | 4,474,266 | 3,157,464 | 201,174 | X | - | 11,868 | 5,884 | 5,983 | X | - | 4,462,398 | - |
| **Total (B)** | **4,493,630** | **3,157,464** | **201,174** | **19,364** | **-** | **23,834** | **5,884** | **5,983** | **11,966** | **-** | **4,469,796** | **-** |
| **Total (A+B)** | **23,423,395** | **20,890,531** | **829,601** | **198,330** | **-** | **196,279** | **21,998** | **36,107** | **138,174** | **-** | **23,227,116** | **29,300** |

**Value to be reported for information purposes*

With regard to loans outstanding at the reporting date that were granted within the scope of public guarantee mechanisms established in response to the COVID-19 emergency, the following table reports the associated gross exposure and total writedowns (broken down by risk stage and "purchased or originated credit impaired" status) for the different categories of impaired/performing assets. The new lending includes, inter alia, financial assets recognized following the grant of forbearance measures that involved a refinancing with derecognition of the original assets and recognition of a new loan, or a restructuring of multiple liabilities with the recognition of a new loan.

## LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: 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 | | |
| Bad loans | 1,984 | - | - | 1,984 | - | 1,431 | - | - | 1,431 | - | 553 | - |
| Unlikely to pay | 17,691 | - | - | 17,691 | - | 5,998 | - | - | 5,998 | - | 11,693 | - |
| Impaired past-due | 125 | - | - | 125 | - | 38 | - | - | 38 | - | 87 | - |
| Performing past-due | 2,644 | 2,644 | - | - | - | 3 | 3 | - | - | - | 2,640 | - |
| Other performing | 532,373 | 470,164 | 62,209 | - | - | 1,441 | 848 | 592 | - | - | 530,932 | - |
| **Total** | **554,817** | **472,808** | **62,209** | **19,801** | **-** | **8,911** | **851** | **592** | **7,467** | **-** | **545,907** | **-** |

### A.1.8 BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS IMPAIRED POSITIONS

The table has not been completed because there were no such positions at the reporting date.

### A.1.8 BIS ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

The table has not been completed because there were no such positions at the reporting date.

## A.1.9 ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

| | Bad loans | Unlikely to pay | Impaired past-due |
|---|---|---|---|
| **A. Opening gross exposure** | **43,988** | **130,751** | **2,713** |
| - of which: exposures assigned but not derecognized | - | - | - |
| **B. Increases** | **4,567** | **79,767** | **125** |
| B.1 from performing exposures | 3,727 | 74,126 | 125 |
| B.2 from purchased or originated impaired financial assets | - | - | - |
| B.3 from other categories of impaired exposures | - | 2,378 | - |
| B.4 contractual modifications without derecognition | - | - | - |
| B.5 other increases | 840 | 3,263 | - |
| **C. Decreases** | **28,425** | **51,854** | **2,668** |
| C.1 to performing exposures | - | 885 | 159 |
| C.2 writeoffs | 238 | 1,319 | - |
| C.3 collections | 2,049 | 10,715 | 131 |
| C.4 realized on disposals | 7,040 | 19,210 | - |
| C.5 losses on disposals | 17,281 | 19,726 | - |
| C.6 to other categories of impaired exposures | - | - | 2,378 |
| C.7 contractual modifications without derecognition | - | - | - |
| C.8 other decreases | 1,817 | - | - |
| **D. Closing gross exposure** | **20,131** | **158,664** | **170** |
| - of which: exposures assigned but not derecognized | - | - | - |

## A.1.9BIS ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

| | Impaired forborne exposures | Unimpaired forborne exposures |
|---|---|---|
| **A. Opening gross exposure** | **94,461** | **151,581** |
| - of which: exposures assigned but not derecognized | - | - |
| **B. Increases** | **36,237** | **17,757** |
| B.1 from non-forborne performing exposures | 5,787 | 17,645 |
| B.2 from forborne performing exposure | 26,502 | X |
| B.3 from forborne non-performing exposure | X | 98 |
| B.4 from non-forborne non-performing exposurecontractual modifications without derecognition | - | - |
| B.5 other increases | 3,948 | 14 |
| **C. Decreases** | **30,579** | **66,523** |
| C.1 to non-forborne performing exposures | X | 3,428 |
| C.2 to forborne performing exposure | 98 | X |
| C.3 to forborne non-performing exposure | X | 26,502 |
| C.4 rewriteoffs | 207 | - |
| C.5 collections | 12,589 | 36,594 |
| C.6 realized on disposal | 5,575 | - |
| C.7 losses on disposals | - | - |
| C.8 other decreases | 12,110 | - |
| **D. Closing gross exposure** | **100,119** | **102,815** |
| - of which: exposures assigned but not derecognized | - | - |

## A.1.10 ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO BANKS: CHANGE IN TOTAL ADJUSTMENTS

The table has not been completed because there were no such positions at the reporting date.

## A.1.11 ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO CUSTOMERS: CHANGE IN TOTAL ADJUSTMENTS

| | Bad loans | | Unlikely to pay | | Impaired past-due | |
|---|---|---|---|---|---|---|
| | Total | of which: forborne exposures | Total | of which: forborne exposures | Total | of which: forborne exposures |
| **A. Total opening adjustments** | **36,926** | **6,223** | **97,057** | **67,643** | **576** | **63** |
| - of which: exposures assigned but not derecognized | - | - | - | - | - | - |
| **B. Increases** | **3,506** | **622** | **35,410** | **18,607** | **38** | **-** |
| B.1 writedowns of purchased or originated credit-impaired assets | - | X | - | X | - | X |
| B.2 other writedowns | 3,501 | 622 | 34,422 | 17,548 | 38 | - |
| B.3 losses on disposal | - | - | - | - | - | - |
| B.4 from other categories of impaired positions | - | - | 518 | 63 | - | - |
| B.5 contractual modifications without derecognition | - | - | - | - | - | - |
| B.6 other increases | 5 | - | 470 | 996 | - | - |
| **C. Decreases** | **22,347** | **2,403** | **24,394** | **15,674** | **563** | **63** |
| C.1 writebacks from valuations | 864 | 131 | 4,415 | 4,082 | 6 | - |
| C.2 writebacks from collections | 138 | - | 1,969 | 1,601 | 14 | - |
| C.3 gains on disposal | 2,412 | - | 5,208 | 3,215 | - | - |
| C.4 writeoffs | 238 | - | 1,319 | 207 | - | - |
| C.5 to other categories of impaired positions | - | - | - | - | 518 | 63 |
| C.6 contractual modifications without derecognition | - | - | - | - | - | - |
| C.7 other decreases | 18,695 | 2,273 | 11,483 | 6,569 | 25 | - |
| **D. Total closing adjustments** | **18,085** | **4,442** | **108,072** | **70,576** | **51** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - | - | - | - |

## A.2 - CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES

### A.2.1 DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES (GROSS VALUES)

| | External rating grades | | | | | | Not rated | Total |
|---|---|---|---|---|---|---|---|---|
| | Class 1 | Class 2 | Class 3 | Class 4 | Class 5 | Class 6 | | |
| **A. Financial assets measured at amortized cost** | **444,527** | **145,247** | **13,658,760** | **50,646** | **39,787** | **1,706** | **34,335,915** | **48,676,588** |
| - Stage 1 | 430,677 | 91,105 | 13,220,615 | 49,491 | 20,910 | 1,557 | 34,020,111 | 47,834,465 |
| - Stage 2 | 13,850 | 54,142 | 438,145 | 1,155 | 18,877 | 149 | 136,838 | 663,157 |
| - Stage 3 | - | - | - | - | - | - | 178,966 | 178,966 |
| - Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - | - |
| **B. Financial assets measured at fair value through other comprehensive income** | **129,559** | **37,265** | **732,203** | **29,504** | **-** | **-** | **1,311** | **929,842** |
| - Stage 1 | 123,712 | 37,265 | 726,526 | 15,150 | - | - | 1,311 | 903,963 |
| - Stage 2 | 5,847 | - | 5,676 | 14,355 | - | - | - | 25,878 |
| - Stage 3 | - | - | - | - | - | - | - | - |
| - Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - | - |
| **C. Financial assets held for sale** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - Stage 1 | - | - | - | - | - | - | - | - |
| - Stage 2 | - | - | - | - | - | - | - | - |
| - Stage 3 | - | - | - | - | - | - | - | - |
| - Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - | - |
| **Total (A+B+C)** | **574,086** | **182,511** | **14,390,963** | **80,150** | **39,787** | **1,706** | **34,337,226** | **49,606,429** |
| **D. Commitments to disburse funds and financial guarantees issued** | **63,273** | **25,906** | **1,219,816** | **13,069** | **1,041** | **1,493** | **9,461,952** | **10,786,551** |
| - Stage 1 | 7,639 | 22,357 | 1,104,544 | 9,744 | 445 | 1,493 | 9,376,171 | 10,522,392 |
| - Stage 2 | 55,634 | 3,549 | 115,273 | 3,325 | 596 | - | 66,417 | 244,794 |
| - Stage 3 | - | - | - | - | - | - | 19,364 | 19,364 |
| - Purchased or originated credit-impaired financial assets | - | - | - | - | - | - | - | - |
| **Total (D)** | **63,273** | **25,906** | **1,219,816** | **13,069** | **1,041** | **1,493** | **9,461,952** | **10,786,551** |
| **Total (A+B+C+D)** | **637,358** | **208,417** | **15,610,780** | **93,220** | **40,828** | **3,199** | **43,799,178** | **60,392,980** |

The distribution of the exposures shown in the table shows the breakdown by rating grade of the debtors referred to in the prudential regulations of the Bank of Italy and are provided by the Fitch rating agency as the ECAI (External Credit Assessment Institution).

### A.2.2 DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY INTERNAL RATING GRADES (GROSS AMOUNTS)

The table has not been completed because as at the reporting date external ratings were used.

## A.3 DISTRIBUTION OF SECURED CREDIT EXPOSURES BY TYPE OF GUARANTEE

## A.3.1 ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO BANKS

| | | | Collateral (1) | | | | Unsecured guarantees (2) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Credit derivatives | | | | | Guarantees | | | | |
| | | | | | | | | Other derivatives | | | | | | | | Total |
| | Gross exposure | Net exposure | Properties - Mortgages | Properties - Finance leases | Securities | Other collateral | CLN | Central counterparties | Banks | Other financial companies | Other | Government entities | Banks | Other financial companies | Other | (1)+(2) |
| **1. Secured on-balance-sheet credit exposures:** | **20,763,851** | **20,762,623** | **617** | **-** | **17,062,492** | **3,695,450** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1,527** | **20,760,086** |
| 1.1 fully secured | 20,748,445 | 20,747,217 | 617 | - | 17,049,723 | 3,695,350 | - | - | - | - | - | - | - | - | 1,527 | 20,747,217 |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.2 partially secured | 15,406 | 15,406 | - | - | 12,769 | 100 | - | - | - | - | - | - | - | - | - | 12,869 |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **2. Secured off-balance-sheet credit exposures:** | **4,531** | **4,501** | **-** | **-** | **1,179** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **3,322** | **4,501** |
| 2.1 fully secured | 4,531 | 4,501 | - | - | 1,179 | - | - | - | - | - | - | - | - | - | 3,322 | 4,501 |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 partially secured | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## A.3.2 ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO CUSTOMERS

| | Gross exposure | Net exposure | Collateral (1): Properties - Mortgages | Collateral (1): Properties - Finance leases | Collateral (1): Securities | Collateral (1): Other collateral | Unsecured guarantees (2) - Credit derivatives: CLN | Unsecured guarantees (2) - Credit derivatives - Other derivatives: Central counterparties | Unsecured guarantees (2) - Credit derivatives - Other derivatives: Banks | Unsecured guarantees (2) - Credit derivatives - Other derivatives: Other financial companies | Unsecured guarantees (2) - Credit derivatives - Other derivatives: Other | Unsecured guarantees (2) - Guarantees: Government entities | Unsecured guarantees (2) - Guarantees: Banks | Unsecured guarantees (2) - Guarantees: Other financial companies | Unsecured guarantees (2) - Guarantees: Other | Total (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1. Secured on-balance-sheet credit exposures:** | **3,580,172** | **3,446,480** | **1,148,807** | **-** | **846,110** | **326,080** | **-** | **-** | **-** | **-** | **-** | **822,627** | **23,902** | **12,785** | **109,952** | **3,290,263** |
| 1.1 fully secured | 2,948,930 | 2,822,610 | 1,148,653 | - | 843,433 | 285,138 | - | - | - | - | - | 388,295 | 21,590 | 8,753 | 105,539 | 2,801,400 |
| - of which: impaired | 140,845 | 42,316 | 33,884 | - | - | 883 | - | - | - | - | - | 6,403 | 642 | - | 503 | 42,316 |
| 1.2 partially secured | 631,243 | 623,870 | 154 | - | 2,678 | 40,942 | - | - | - | - | - | 434,332 | 2,312 | 4,033 | 4,413 | 488,863 |
| - of which: impaired | 10,919 | 6,545 | - | - | - | - | - | - | - | - | - | 6,545 | - | - | - | 6,545 |
| **2. Secured off-balance-sheet credit exposures:** | **1,477,201** | **1,474,183** | **994** | **-** | **1,017,479** | **892** | **-** | **-** | **-** | **-** | **38** | **11,773** | **130,211** | **535** | **68,987** | **1,230,910** |
| 2.1 fully secured | 1,079,088 | 1,077,813 | 994 | - | 1,017,479 | 649 | - | - | - | - | 38 | 6,709 | 1,028 | 456 | 41,781 | 1,069,134 |
| - of which: impaired | 669 | 32 | - | - | - | - | - | - | - | - | - | - | - | - | 32 | 32 |
| 2.2 partially secured | 398,113 | 396,370 | - | - | - | 243 | - | - | - | - | - | 5,064 | 129,183 | 79 | 27,206 | 161,776 |
| - of which: impaired | 660 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

## A.4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH ENFORCEMENT OF GUARANTEES RECEIVED

The table has not been completed because there were no such positions as at the reporting date.

## B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

### B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR

| | Government entities | | Financial companies | | Financial companies (of which: insurance undertakings) | |
|---|---|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance sheet** | | | | | | |
| A.1 Bad loans | - | - | - | 144 | - | - |
| - of which: forborne exposures | | - | - | - | - | - |
| A.2 Unlikely to pay | | - | 1,105 | 4,262 | - | - |
| - of which: forborne exposures | | - | 720 | 810 | - | - |
| A.3 Impaired past due exposures | | - | - | - | - | - |
| - of which: forborne exposures | | - | - | - | - | - |
| A.4 Unimpaired exposures | | 1,765 | 4,876,102 | 10,257 | - | - |
| - of which: forborne exposures | | - | 3,903 | 98 | - | - |
| **Total (A)** | **10,835,970** | **1,765** | **4,877,207** | **14,662** | **-** | **-** |
| **B. Off-balance sheet** | | | | | | |
| B.1 Impaired exposures | - | - | - | - | - | - |
| B.2 Unimpaired exposures | 24,853 | 64 | 2,285,353 | 1,223 | - | - |
| **Total (B)** | **24,853** | **64** | **2,285,353** | **1,223** | **-** | **-** |
| **Total (A+B) 31/12/2023** | **10,860,824** | **1,828** | **7,162,560** | **15,885** | **-** | **-** |
| **Total (A+B) 31/12/2022** | **8,932,082** | **2,296** | **6,056,975** | **14,171** | **-** | **-** |

| | Non-financial companies | | Households | |
|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance sheet** | | | | |
| A.1 Bad loans | 2,045 | 17,610 | 1 | 331 |
| - of which: forborne exposures | 780 | 4,442 | - | - |
| A.2 Unlikely to pay | 45,986 | 99,517 | 3,501 | 4,293 |
| - of which: forborne exposures | 21,107 | 66,802 | 2,494 | 2,964 |
| A.3 Impaired past due exposures | 87 | 38 | 32 | 13 |
| - of which: forborne exposures | - | - | - | - |
| A.4 Unimpaired exposures | 2,839,872 | 32,647 | 152,618 | 1,568 |
| - of which: forborne exposures | 85,406 | 7,467 | 5,622 | 319 |
| **Total (A)** | **2,887,990** | **149,813** | **156,152** | **6,205** |
| **B. Off-balance sheet** | | | | |
| B.1 Impaired exposures | 7,398 | 11,378 | - | 588 |
| B.2 Unimpaired exposures | 1,047,072 | 10,389 | 8,744 | 192 |
| **Total (B)** | **1,054,470** | **21,767** | **8,744** | **780** |
| **Total (A+B) 31/12/2023** | **3,942,460** | **171,580** | **164,896** | **6,985** |
| **Total (A+B) 31/12/2022** | **3,839,877** | **198,480** | **203,952** | **12,971** |

## B.2 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

| | Italy | | Other European countries | | America | |
|---|---|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | | | |
| A.1 Bad loans | 2,046 | 17,941 | - | - | - | 144 |
| A.2 Unlikely to pay | 50,517 | 105,267 | - | 193 | 27 | 250 |
| A.3 Impaired past due exposures | 119 | 51 | - | - | - | - |
| A.4 Unimpaired exposures | 17,898,365 | 44,625 | 621,804 | 1,247 | 95,601 | 262 |
| **Total A** | **17,951,047** | **167,884** | **621,804** | **1,439** | **95,628** | **656** |
| **B. Off-balance-sheet** | | | | | | |
| B.1 Impaired exposures | 4,988 | 11,966 | - | - | - | - |
| B.2 Unimpaired exposures | 3,282,816 | 9,348 | 76,325 | 2,336 | 1,679 | - |
| **Total (B)** | **3,287,804** | **21,314** | **76,325** | **2,336** | **1,679** | **-** |
| **Total (A+B) 31/12/2023** | **21,238,851** | **189,198** | **698,129** | **3,776** | **97,307** | **656** |
| **Total (A+B) 31/12/2022** | **18,276,760** | **219,748** | **671,659** | **4,335** | **71,006** | **728** |

| | Asia | | Rest of the world | |
|---|---|---|---|---|
| | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | |
| A.1 Bad loans | - | - | - | - |
| A.2 Unlikely to pay | 48 | 2,362 | - | - |
| A.3 Impaired past due exposures | - | - | - | - |
| A.4 Unimpaired exposures | 2,472 | 20 | 86,320 | 84 |
| **Total A** | **2,520** | **2,382** | **86,320** | **84** |
| **B. Off-balance-sheet** | | | | |
| B.1 Impaired exposures | 2,410 | - | - | - |
| B.2 Unimpaired exposures | - | - | 5,203 | 183 |
| **Total (B)** | **2,410** | **-** | **5,203** | **183** |
| **Total (A+B) 31/12/2023** | **4,930** | **2,382** | **91,523** | **267** |
| **Total (A+B) 31/12/2022** | **6,642** | **2,372** | **6,818** | **736** |

## B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

| | | Italy | | Other European countries | | America | |
|---|---|---|---|---|---|---|---|
| | | Net exposure | Total writedowns | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | | | | |
| A.1 Bad loans | | - | - | - | - | - | - |
| A.2 Unlikely to pay | | - | - | - | - | - | - |
| A.3 Impaired past due exposures | | - | - | - | - | - | - |
| A.4 Unimpaired exposures | | 35,485,978 | 1,513 | 163,186 | 184 | 17,592 | 1,239 |
| **Total (A)** | | **35,485,978** | **1,513** | **163,186** | **184** | **17,592** | **1,239** |
| **B. Off-balance-sheet** | | | | | | | |
| B.1 Impaired exposures | | - | - | - | - | - | - |
| B.2 Unimpaired exposures | | 8,416,373 | - | 185,780 | 52 | 36 | - |
| **Total (B)** | | **8,416,373** | **-** | **185,780** | **52** | **36** | **-** |
| **Total (A+B)** | **31/12/2023** | **43,902,351** | **1,513** | **348,966** | **236** | **17,628** | **1,239** |
| **Total (A+B)** | **31/12/2022** | **44,905,536** | **1,887** | **572,502** | **162** | **50,747** | **151** |

| | | Asia | | Rest of the world | |
|---|---|---|---|---|---|
| | | Net exposure | Total writedowns | Net exposure | Total writedowns |
| **A. On-balance-sheet** | | | | | |
| A.1 Bad loans | | - | - | - | - |
| A.2 Unlikely to pay | | - | - | - | - |
| A.3 Impaired past due exposures | | - | - | - | - |
| A.4 Unimpaired exposures | | 2,870 | 1 | 102,108 | 28 |
| **Total (A)** | | **2,870** | **1** | **102,108** | **28** |
| **B. Off-balance-sheet** | | | | | |
| B.1 Impaired exposures | | - | - | - | - |
| B.2 Unimpaired exposures | | 5,872 | 1 | 592 | 7 |
| **Total (B)** | | **5,872** | **1** | **592** | **7** |
| **Total (A+B)** | **31/12/2023** | **8,742** | **2** | **102,700** | **35** |
| **Total (A+B)** | **31/12/2022** | **8,678** | **2** | **62,762** | **27** |

## B.4 LARGE EXPOSURES

| | |
|---|---|
| a) Amount (carrying amount) | 101,036,695 |
| b) Amount (weighted value) | 1,333,503 |
| c) Number | 12 |

## C. SECURITIZATIONS

### QUALITATIVE DISCLOSURES

The following discusses the main transactions in which Iccrea Banca participated as originator:

#### GACS III

On March 1, 2019, the Board of Directors of Iccrea Banca, as the Parent Company and Central Body, which together with the affiliated mutual banks, composes the reporting entity and, together with the subsidiaries, the "Iccrea Cooperative Banking Group", approved the implementation of a multioriginator securitization of a portfolio of non-performing loans, submitting to the Ministry for the Economy and Finance (MEF) an application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS") pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018.and subsequently amended by Law 41 of May 20, 2019 ratifying with amendment Decree Law 22 of March 25, 2019 (hereinafter the "Transaction"), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca, Banca Sviluppo and BCC Leasing, as well as 65 mutual banks belonging to the Iccrea Cooperative Banking Group, to sell pursuant to Law 130 of April 30, 1999 the same number of portfolios of unsecured or mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment for a total credit claim of about €1.3 billion, to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2019 Srl", with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

As part of the Transaction, on December 2, 2019 the SPV acquired the portfolio from the assignors, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €421.2 million, divided into the classes indicated below:

- €355,000,000.00 of senior notes, maturing in January 2044, rated Baa2, BBB + and BBB respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
- €53,000,000.00 of mezzanine notes, maturing in January 2044, rated B3, B- and CCC respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
- €13.2,000,000.00 of junior notes, maturing in January 2044 and not rated.

| Tranche | Amount issued (euros) | Rate |
|---|---:|---:|
| Senior Notes | 355,000,000 | Euribor 6m + 0.30% |
| Mezzanine Notes | 53,000,000 | Euribor 6m + 6.50% |
| Junior Notes | 13,200,000 | 12% + Class J Notes Variable Return (any additional return) |
| **Total** | **421,200,000** | |

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed and undertook to retain for the entire duration of the securitization at least 5% of the nominal value of each tranche of notes issued in the Transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk;
- a cash reserve was set up in an amount equal to 3% of the nominal value of the senior notes (€10.65 million) to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan granted by Iccrea.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca - as the Parent Company of the ICBG and by way of specific delegation from the banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes. On January 10, 2020, a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors, as supported by a legal opinion from Orrick Herrington & Sutcliffell, issued on December 19, 2019;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - Optional Redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - Redemption for Tax Reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws).

Note that the SPV may also carry out repayments through the partial or full sale to third parties of the portfolio of non-performing loans, as part of a competitive auction.

Finally, as part of the Transaction, at the time of the issue of the notes, a cash reserve was established in the form of a limited-recourse loan granted by Iccrea Banca. Based on the characteristics of the Transaction, these circumstances do not constitute implicit support for the Transaction by the ICBG pursuant to Article 250 of the CRR.

The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead.

In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: (i) the aggregate cumulative collections for the period immediately preceding the calculation are 90% lower than the expected collections envisaged for the same date in the securitization contracts; (ii) interest is not paid on the Class A notes; (iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 90%.

In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

With regard to Iccrea Banca SpA, the credit claim at the date of economic effectiveness is equal to €11.525,779.1 and the gross value at the date of legal transfer of the loans net of writedowns and inclusive of any collections on those loans pertaining to the SPV received by the Bank between the date of determination of the carrying amount and the assignment date, certified on the basis of the accounting records, of €2,524,328.5 (of which collections equal to €62,747.23) assigned for €3,390,011.15.

The following table shows the positions in respect of the securitization held by Iccrea Banca SpA following the issue:

| Class | Nominal amount (euros) | Fair value | ISIN |
|---|---|---|---|
| Class A | 3,149,000 | 3,149,000 | IT0005394348 |
| Class B | 23,507 | 12,101 | IT0005394355 |
| Class C | 5,855 | - | IT0005394363 |
| Limited-recourse loan | 10,900,000 | 10,859,259 | |

## GACS IV

On February 7, 2020, the Board of Directors of Iccrea Banca, as the Parent Company and Central Body, which together with the affiliated mutual banks, composes the reporting entity and, together with the subsidiaries, the "Iccrea Cooperative Banking Group", approved the implementation of a multioriginator securitization of a portfolio of non-performing loans, submitting to the Ministry for the Economy and Finance (MEF) an application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS") pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018.and subsequently amended by Law 41 of May 20, 2019 ratifying with amendment Decree Law 22 of March 25, 2019 (hereinafter the "Transaction"), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca, Banca Sviluppo, BCC Leasing, BCC Financing, as well as 84 mutual banks belonging to the Iccrea Cooperative Banking Group (hereinafter, the ICBG assignor banks) and two banks not belonging to the ICBG, Banca Ifis and Banca Popolare Valconca (hereinafter the "Open Market Banks" and, together with the ICBG, the "Banks" or the "Assignor Banks"), to sell pursuant to Law 130 of April 30, 1999 (hereinafter, "Law 130") the same number of portfolios of unsecured or mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment (hereinafter, the "Portfolio") for a total credit claim of about €2.3 billion at the date of economic effectiveness,[51] to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2020 Srl" (the SPV), with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

As part of the Transaction, on November 18, 2020 the SPV acquired the portfolio from the assignors, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €585 million, divided into the classes indicated below

- €520,000,000.00 of senior notes, maturing in January 2045, rated Baa2, and BBB respectively by Moody's Italia Srl and Scope Rating AG;
- €41,000,000.00 of mezzanine notes, maturing in January 2045, rated Caa2 and CC respectively by Moody's Italia Srl and Scope Rating AG;
- €24,000,000.00 of junior notes, maturing in January 2045 and not rated

As noted, the transfer by the Banks to the SPV of the non-performing loans included in the portfolio took place on November 18, 2020 at a price equal to about 22.9% of the related claim at the date of economic effectiveness.

The transfer of non-performing loans to the Vehicle produces economic effects from the date of economic effectiveness. Collections from customers from the day following the date of economic effectiveness up to and including the date of transfer of the portfolio, or November 18, 2020, were transferred to the SPV.

The subsequent finalization of the operation involved:

- the issue of the notes by the SPV with simultaneous subscription of all the senior notes and about 5% of the mezzanine and junior Notes by the Assignor Banks and the subscription of about 95% of the mezzanine and junior notes by an institutional investor independent of the Assignor Banks, Bracebridge Capital LLC, with simultaneous payment of the purchase price and, consequently, derecognition of the assigned loans;
- the preliminary request for GACS support (submitted by Iccrea Banca on December 22, 2020).

[51] The date of economic effectiveness is generally established at December 31, 2019, March 31, 2020 and June 30, 2020 or, for a limited number of banks, August 31, 2020.

The following table summarizes the amount and annual rates of the notes issued:

| Tranche | Amount issued (euros) | Rate |
|---|---|---|
| Senior Notes | 520,000,000 | Euribor 6m + 0,25% |
| Mezzanine Notes | 41,000,000 | Euribor 6m + 8% |
| Junior Notes | 24,000,000 | 10% + Class J Notes Variable Return (any additional return) |
| **Total** | **585,000,000** | |

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed and undertook to retain for the entire duration of the securitization at least 5% of the nominal value of each tranche of notes issued in the Transaction (the “vertical slice” approach). The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor on November 30.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk with third parties independent of the Assignor Banks;
- a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, for a total amount of €16 million, granted by Iccrea Banca (€14,168,985), Banca Ifis (€1,694,677) and Banca Valconca (€136,338). In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca as the Parent Company of the ICBG and by way of specific delegation from the banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes. More specifically, in accordance with the above scheme, on November 18, 2020, the Assignor Banks and the SPV signed a loan assignment agreement under which they assigned without recourse the bad loan portfolios to the SPV with a total claim of about €2.3 billion. In order to finance the purchase of these portfolios, on November 30, 2020, the SPV issued €520,000,000.00 in Class A Asset Backed Floating Rate Notes, maturing in January 2045, €41,000,000.00 Class B in Asset Backed Floating Rate Notes, maturing in January 2045 and €24,000,000.00 in Class J Asset Backed Floating Rate and Variable Return Notes maturing in January 2045.

Each assignor subscribed a pro-rated amount of senior securities issued. Furthermore, in application of the retention rule provided for by Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, each assignor undertakes to retain about 5% of the mezzanine and junior notes subscribed for the entire duration of the transaction.[52]

On December 22, 2020 a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The derecognition of the bad loans by each of the Assignor Banks took place following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC. The sale took place for both tranches on November 30, 2020. In particular, Bracebridge Capital LLC subscribed (i) 94.40% of the principal amount of the mezzanine notes on the

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[52] More specifically, the amount retained in the net economic interest was distributed among the Assignor Banks as follows:

Retention of individual assignor = MAX (X; Y)

Where:

X = 5% of the entire tranche, allocated among the assignors on the basis of the ration of the claim of the individual assignor and the total claim represented by the portfolio.

Y = 5% of the virtual tranche attributed to the individual assignor.

issue date equal to €38,703,317 at a price equal to 44.51% of the related principal amount (corresponding to a subscription price of €17,228,640) and (ii) 94.40% of the principal amount of the junior notes at the issue date equal to €22,655,588.00 at a price equal to 0.042% of the relative principal amount (corresponding to a subscription price of €9,440).

The following table shows the positions in respect of the securitization held by Iccrea Banca SpA following the issue:

| Class | Nominal amount (euros) | Fair value | ISIN |
|---|---|---|---|
| Class A | 67,629,000.00 | 67,629,000.00 | IT0005428245 |
| Class B | 409,966.00 | 182,494.87 | IT0005428286 |
| Class C | 239,980 | 99.99 | IT0005428294 |
| Limited-recourse loan | 14,168,985 | 14,168,985 | |

## GACS V

On February 12, 2021, the Board of Directors of Iccrea Banca SpA approved the implementation of a multi-originator securitization of a portfolio of bad loans, submitting application to the Ministry for the Economy and Finance (MEF) for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS") pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, and subsequently amended by Law 41 of May 20, 2019 ratifying with amendments Decree Law 22 of March 25, 2019, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017, the MEF Decree of October 10, 2018, the MEF Decree of October 14, 2019, the MEF Decree of May 20, 2020 and the MEF Decree of July 15, 2021 (hereinafter the "Transaction"), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca SpA, BCC Leasing, BCC Financing and 71 mutual banks belonging to the Iccrea Cooperative Banking Group, as well as three non-ICBG banks, namely Banca Ifis SpA, Cassa di Risparmio di Asti SpA and Guber Banca SpA (hereinafter the "Open Market Banks" and together with the ICBG, the "Banks" or the "Assignor Banks"), to sell pursuant to Law 130 of April 30, 1999 (hereinafter, "Law 130") the same number of portfolios of unsecured loans and mortgage loans classified as bad loans and receivables in respect of finance leases classified as past due or subject to termination or resolution under Article 72 quarter or Article 169 bis of the Bankruptcy Act classified as bad loans (hereinafter, the "Portfolio"), for a total credit claim of about €1.3 billion at the date of economic effectiveness, to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLS 2021 Srl" (the "SPV"), with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

The operation was carried out in the following stages:

- the assignment without recourse on November 16, 2021 of the Portfolio to the vehicle BCC NPLS 2021 Srl (the "SPV") established pursuant to Law 130 of April 30, 1999 as amended ("Law 130");
- preparatory to the operation, on July 13, 2021, a special purpose vehicle called "GBCI LeaseCo Srl" ("LeaseCo") was formed pursuant to Article 7.1 of the Securitization Act with the exclusive corporate purpose of purchasing, managing and valorizing, valorizing, in the exclusive interest of the securitization, the real estate assets involved in finance leases and the legal relationships deriving from the termination of the same, connected to the receivables deriving from said finance leases transferred by BCC Leasing. On November 18, 2021 Iccrea Banca SpA assigned to Banca Finanziaria Internazionale SpA the interest held by the former in LeaseCo Srl. Pursuant to Article 7.1 of the Securitization Act, at the reporting date LeaseCo is consolidated by Banca Finanziaria Internazionale SpA and has no direct or indirect connection with any of the banks participating in the Transaction as assignors;
- in order to preserve the financial relationship between the claim of the SPV in respect of the receivables deriving from finance leases forming part of the Portfolio and the assets involved in those finance leases: the disposal of the properties available for immediate sale and the associated legal relationships to LeaseCo pursuant to Article 7.1, paragraphs 4 and 5, of Law 130 and Article 58 of Legislative Decree 385 of September 1, 1993; and (b) the assignment of properties not immediately available for sale and the related legal relationships to LeaseCo as part of a demerger carried out by BCC Leasing (as the demerged company) pursuant to Articles 2506 et seq. of the Civil Code, also in light of the interpretative provisions referred to in Article 1, paragraph 215, of Law 178 of December 30, 2020;
- the financing of the purchase by the SPV through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €336.5 million, divided into the classes indicated below:

- €284,000,000.00 of senior notes, maturing in April 2046, rated Baa2(sf), BBB(sf) and BBB(sf) respectively by Moody's Italia Srl ("Moody's"), Scope Rating GmbH ("Scope") and ARC Ratings S.A. ("ARC");
- €39,500,000.00 of mezzanine notes, maturing in April 2046, rated Caa2(sf), CCC(sf) and CCC+(sf) respectively by Moody's, Scope and ARC Ratings;
- €13,000,000.00 of junior notes, maturing in April 2046 and not rated.

As noted, the transfer by the Banks to the SPV of the non-performing loans included in the portfolio took place on November 16, 2021 at a price equal to about 22.18% of the related claim at the date of economic effectiveness.

The transfer of non-performing loans to the Vehicle produces economic effects from the date of economic effectiveness. Collections from customers from the day following the date of economic effectiveness up to and including the date of transfer of the portfolio, or November 16, 2021, were transferred to the SPV.

The subsequent finalization of the operation involved:

- the issue of the notes by the SPV with simultaneous subscription of all the senior notes and about 5.62% of the mezzanine and junior Notes by the Assignor Banks and the subscription of about 94.38% of the mezzanine and junior notes by an institutional investor independent of the Assignor Banks, Bracebridge Capital LLC, with simultaneous payment of the purchase price and, consequently, derecognition of the assigned loans;
- the preliminary request for GACS support (submitted by Iccrea Banca on December 24, 2021).

The following table summarizes the amount and annual rates of the notes issued:

| Tranche | Amount issued (euros) | Rate |
|---|---|---|
| Senior Notes | 284,000,000 | Euribor 6m + 0,35% |
| Mezzanine Notes | 39,500,000 | Euribor 6m + 8.00% |
| Junior Notes | 13,000,000 | 10% + Class J Notes Variable Return (any additional return) |
| **Total** | **336,500,000** | |

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017- as amended by Regulation (EU) 557/2021 - laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed on a pro-rated basis 100% of the Senior Notes and about 5.6% of the Mezzanine Notes and the Junior Notes and undertake to hold at least the minimum amount necessary of those notes to ensure compliance with the retention rule over the entire course of the Transaction. The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor on November 29.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk with third parties independent of the Assignor Banks;
- a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, for a total amount of €13.52 million, granted by Iccrea Banca (about €11,950,510) of which about €3,600,000 to fully finance the establishment of the LeaseCo Recovery Expenses Cash Reserve, Banca Ifis (about €273,254), Cassa di Risparmio Asti SpA (about €966,047) Guber Banca SpA (about €330,189). In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca - by way of specific delegation from the Assignor Banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes. More specifically, in accordance with the above scheme, on November 16, 2021 the Assignor Banks and the SPV signed a loan assignment agreement under which they assigned without recourse the bad loan portfolios to the SPV with a total claim of about €1.3 billion. In order to finance the purchase of these portfolios, on November 29, 2021 the SPV issued €284,000,000.00 Class A Asset Backed Floating Rate Notes*,* maturing in April 2046, €39,500,000.00 Class B Asset Backed Floating Rate Notes*,* maturing in April 2046 and €13,000,000.00 Class J Asset Backed Floating Rate and Variable Return Notes maturing in April 2046.

Each assignor subscribed a pro-rated amount of senior securities issued. Furthermore, in application of the retention rule provided for by Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, each assignor undertakes to retain about 5.6% of the mezzanine and junior notes subscribed for the entire duration of the transaction.[53]

On December 24, 2021 a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The derecognition of the bad loans by each of the Assignor Banks took place following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC, an asset manager with its registered office in Boston, USA. The sale took place for both tranches on November 29, 2021. In particular, Bracebridge Capital LLC subscribed (i) 94.38% of the principal amount of the mezzanine notes on the issue date equal to €37,280,786 at a price equal to 27.84810127% of the related principal amount (corresponding to a subscription price of €10,381,991.04) and (ii) 94.38% of the principal amount of the junior notes at the issue date equal to €12,269,600 at a price equal to 0.07692308% of the relative principal amount (corresponding to a subscription price of €9,438.15).

| Class | Nominal amount held | Fair value | ISIN |
|---|---|---|---|
| Class A | 4,355,000 | 4,355,000 | IT0005469116 |
| Class B | 82,452 | 22,961 | IT0005469124 |
| Class C | 27,136 | 21 | IT0005469132 |
| Limited-recourse loan | 11,950,510 | - | |

## GACS VI

On January 13, 2022, the Board of Directors of Iccrea Banca approved the implementation of a multi-originator securitization of a portfolio of bad loans, submitting application to the Ministry for the Economy and Finance (MEF) for admission to the State Guarantee Scheme on the liabilities issued (so-called “GACS”) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, and subsequently amended by Law 41 of May 20, 2019 ratifying with amendments Decree Law 22 of March 25, 2019, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017, the MEF Decree of October 10, 2018, the MEF Decree of October 14, 2019, the MEF Decree of May 20, 2020 and the MEF Decree of July 15, 2021 (hereinafter the “Transaction”), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca SpA, BCC Leasing and Banca per lo Sviluppo della Cooperazione di Credito SpA, BCC Financing and 64 mutual banks belonging to the Group, as well as three non-ICBG banks, namely Banca Valsabbina Società Cooperativa per Azioni (“Banca Valsabbina”), Banca di Credito Popolare Società Cooperativa per Azioni (“BCP”) and Cassa di Risparmio di Asti SpA hereinafter the “Open Market Banks” and together with the ICBG, the “Banks” or the “Assignor Banks”), to sell pursuant to Law 130 of April 30, 1999 (hereinafter, “Law 130”) the same number of portfolios of claims deriving from unsecured loans and mortgage loans to borrowers classified as “bad loans” (hereinafter the “Portfolio”), for a total credit claim of about €644.5 million at the date of economic effectiveness, to a special purpose securitization vehicle specifically formed for the Transaction denominated “BCC NPLS 2022 Srl” (the “SPV”), with the concomitant grant of a servicing engagement by the latter to an independent third-party servicer.

[53] More specifically, the amount retained in the net economic interest was distributed among the Assignor Banks as follows:

Retention of individual assignor = MAX (X; Y)

Where:

X = 5% of the entire tranche, allocated among the assignors on the basis of the ration of the claim of the individual assignor and the total claim represented by the portfolio.

Y = 5% of the virtual tranche attributed to the individual assignor.

For Iccrea Banca only, that amount, as specified in Article 6 of Regulation (EU) No. 2017/2402 as amended by Regulation (EU) 557/2021, shall be increased by any “*fees that may in practice be used to reduce the effective material net economic interest*”, determined conventionally as equal to the gross fee received net of a reasonable estimated of costs incurred in connection with the transaction.

The operation was carried out in the following stages:

- the assignment without recourse on May 2, 2022 of the Portfolio to the vehicle BCC NPLS 2022 Srl (the "SPV") established pursuant to Law 130 of April 30, 1999 as amended ("Law 130");
- the financing of the purchase by the SPV through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €168 million, divided into the classes indicated below:
  - €142,000,000.00 Class A Asset Backed Floating Rate Notes maturing January 2047 ("Class A" or "Senior notes"), rated Baa1(sf), and BBB (sf) by Moody's Italia Srl ("Moody's") and ARC Ratings S.A. ("ARC"), respectively;
  - €19,500,000.00 Class B Asset Backed Floating Rate Notes maturing January 2047 ("Class B" or "Mezzanine notes");
  - €6,500,000.00 Class J Asset Backed Fixed Rate and Variable Return Notes maturing January 2047 ("Class J" or "Junior notes").

As noted, the transfer by the Banks to the SPV of the non-performing loans included in the portfolio took place on May 2, 2022 at a price equal to about 22.47% of the related claim at the date of economic effectiveness.

The transfer of non-performing loans to the Vehicle produces economic effects from the date of economic effectiveness. Collections from customers from the day following the date of economic effectiveness up to and including the date of transfer of the portfolio, or May 2, 2022, were transferred to the SPV.

The subsequent finalization of the operation involved:

- the issue of the Notes by the SPV with the concomitant subscription of all the Senior Notes and approximately 5.78% of the Mezzanine and Junior Notes by the Assignor Banks and the subscription of some 94.22% of the Mezzanine and Junior Notes by an institutional investor independent of the Assignor Banks (Bayview Global Opportunities Fund), with simultaneous payment of the purchase price and derecognition of the assigned receivables by the Assignor Banks;
- a preliminary application for obtaining GACS coverage (submitted by Iccrea Banca on May 6, 2022).

The following table summarizes the amount and annual rates of the notes issued:

| Tranche | Amount issued (euros) | Rate |
|---|---|---|
| Senior Notes | 142,000,000 | Euribor 6m + 0,50% |
| Mezzanine Notes | 19,500,000 | Euribor 6m + 9.50% |
| Junior Notes | 6,500,000 | 15% + Class J Notes Variable Return (any additional return) |
| **Total** | **168,000,000** | |

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017- as amended by Regulation (EU) 557/2021 - laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed on a pro-rated basis 100% of the Senior Notes and about 5.78% of the Mezzanine Notes and the Junior Notes and undertake to hold at least the minimum amount necessary of those notes to ensure compliance with the retention rule over the entire course of the Transaction. The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor on May 10.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk with third parties independent of the Assignor Banks;
- a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, for a total amount of €4.6 million, granted by Iccrea Banca (€4,164,976.00),

Banca Valsabbina (€122,321.00), CR Asti, (€160,028.00) and BCP (€152,675.00). In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca - by way of specific delegation from the Assignor Banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes.

More specifically, in accordance with the above scheme, on May 2, 2022, the Assignor Banks and the SPV signed a loan assignment agreement under which they assigned without recourse the bad loan portfolios to the SPV with a total claim of about €644.5 million. In order to finance the purchase of these portfolios, on May 10, 2022 the SPV issued €142,000,000.00 Class A Asset Backed Floating Rate Notes*,* maturing in January 2047, €19,500,000.00 Class B Asset Backed Floating Rate Notes*,* maturing in January 2047 and €6,500,000.00 Class J Asset Backed Floating Rate and Variable Return Notes maturing in January 2047.

Each assignor subscribed a pro-rated amount of senior securities issued. Furthermore, in application of the retention rule provided for by Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, each assignor subscribed 5.78% of the mezzanine and junior tranches in proportion to its share and undertakes to retain for the entire duration of the transaction that minimum holding of the senior, mezzanine and junior securities.[54]

On May 6, 2022 a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The derecognition of the bad loans by each of the Assignor Banks took place following the subscription of the mezzanine and junior tranches by Bayview Global Opportunities Fund, a Fund with its registered office in Luxembourg. The subscription took place for both tranches on May 10, 2022. In particular, Bayview Global Opportunities Fund subscribed *(i)* 94.22% of the principal amount of the mezzanine notes on the issue date equal to about €18,372,805 at a price equal to 21.21457% of the related principal amount (corresponding to a subscription price of €3,897,712.47) and *(ii)* 94.23% of the principal amount of the junior notes at the issue date equal to about €6,125,248, at a price equal to 0.00003% of the relative principal amount (corresponding to a subscription price of €1.98).

With regard to Iccrea Banca SpA, the credit claim at the date of economic effectiveness is equal to €46,640,191.49 and the gross value at the date of legal transfer of the loans net of writedowns and inclusive of any collections on those loans pertaining to the SPV received by the Bank between the date of financial effect and the date of the transfer of legal title, certified on the basis of the accounting records, of €5,616,302.81 (of which collections equal to about €107,430.98), assigned for €7,074,359.70.

The following table reports the positions held by Iccrea Banca SpA in respect of the securitization following the issue:

| Class | Nominal amount held | Fair value | ISIN |
|---|---:|---:|---:|
| Class A | 6,938,000 | 6,938,000 | IT0005494403 |
| Class B | 198,711 | 42,155,69 | IT0005494411 |
| Class C | 65,856 | 0.0213 | IT0005494429 |
| Limited-recourse loan | 4,164,976 | | |

The main operations deriving from the acquisition of the corporate lending operations from BCC Leasing (formerly Iccrea BancaImpresa) are described below

[54] More specifically, the amount retained in the net economic interest was distributed among the Assignor Banks as follows:

Retention of individual assignor = MAX (X; Y)

Where

X = 5% of the entire tranche, allocated among the assignors on the basis of the ration of the claim of the individual assignor and the total claim represented by the portfolio.

Y = 5% of the virtual tranche attributed to the individual assignor

For Iccrea Banca only, that amount, as specified in Article 6 of Regulation (EU) No. 2017/2402, shall be increased by any "*fees that may in practice be used to reduce the effective material net economic interest*".

## GACS I

In July 2018 the Bank completed a multioriginator securitization of a portfolio of non-performing loans (“GACS I”).

The Transaction provided for 21 mutual banks, Banca Sviluppo and BCC Leasing, to sell, pursuant to Law 130 of April 30, 1999 the same number of portfolios of non-performing unsecured and mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment for a total credit claim of €1,046 billion to a special purpose securitization vehicle specifically formed for the Transaction denominated “BCC NPLs 2018 Srl (hereinafter the “SPV”) with the simultaneous grant of a servicing engagement by the latter to a third-party servicer independent of the assignors.

As part of the transaction, the special purpose vehicle acquired the portfolio from the assignor banks, financing the purchase by issuing (on July 10, 2018) asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, with a total nominal value of about €323.86 million, divided into the following classes:

- €282 million of senior notes, corresponding to 26.95% of the value of the assigned loans, which have been assigned an investment grade rating of Baa3 by Moody’s and BBB- by Scope Rating, subscribed by the assignors in proportion to the exposures assigned;
- €31.4 million of mezzanine notes, corresponding to 3% of the value of the assigned loans, which have been assigned a rating of Caa2 by Moody’s and B+ by Scope Rating, which were sold, together with the junior notes and with the exception of highlighted below, to qualified investors without any connection, interest or participation with the assignors;
- €10.46 million of junior notes, corresponding to 1% of the value of the assigned loans, not rated.

The following table summarizes the amount and annual rates of the notes issued:

| Tranche | Amount issued (euros) | Rate |
|---|---|---|
| Senior Notes | 282,000,000 | Euribor 6m + 0,40% |
| Mezzanine Notes | 31,400,000 | Euribor 6m + 6% |
| Junior Notes | 10,460,000 | 12% + Class J Notes Variable |
| **Total** | **323,860,000** | |

The notes are not listed on any regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction as referred to in (i) Article 405, paragraph 1, letter a) of Regulation (EU) 575/2013 (the “CRR”), (ii) Article 51, paragraph 1, letter a) of Delegated Regulation (EU) 231/2013 (the “AIMFD Regulation”) and (iii) Article 254, paragraph 2, letter A) of Delegated Regulation (EU) 35/2015 (the “Solvency II Regulation”), the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the “vertical slice” approach).

The SPV also obtained two cap options on interest rates in an initial amount equal to the total nominal value of the senior and mezzanine notes.

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - Optional Redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - Redemption for Tax Reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws).

Note that the SPV may also carry out repayments through the partial or full sale to third parties of the portfolio of non-performing loans, as part of a competitive auction.

Finally, as part of the Transaction, a cash reserve was set up in an amount equal to 5.0088% of the nominal value of the senior notes (€14.125 million*)*, to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan granted by Iccrea.

The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead. In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: (i) the aggregate cumulative collections for the period immediately preceding the calculation are 90% lower than the expected collections envisaged for the same date in the securitization contracts; (ii) interest is not paid on the Class A notes; (iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 90%.

In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

The portfolio securitized by BCC Leasing includes loans classified as bad loans at the assignment date with a gross book value at December 31, 2017 of €64,829,208.88 and an aggregate gross value at the assignment date, net of impairment adjustments and including any collections on the loans pertaining to the SPV received by the assignor company between the date of determination of the carrying amount and the assignment date, certified on the basis of the accounting records, of €18,889,734.72 (of which collections equal to €222,554.53), assigned for €17,622,893.85.

The following table shows the positions in respect of the securitization held by Iccrea Banca SpA following the issue.

| Class | Amount | ISIN |
|---|---:|---:|
| Class A | 16,991,000 | IT0005338717 |
| Class B | 98,000 | IT0005338741 |
| Class C | 32,407 | IT0005338758 |

The Mezzanine class was purchased for a total of €32,401.74, while the Junior notes were purchased for €326.01.

On October 4, 2018, Iccrea Banca announced that the MEF had - with a Decree of September 5, 2018, registered by the Court of Auditors on September 27, 2018 and by the Central Budget Office of the MEF on October 2, 2018, granted the State guarantee (GACS) for the senior tranche of the securitization. The State guarantee on this tranche is effective from the date of the decree (September 5, 2018).

Note that the acknowledgement of the significant risk transfer was made on the basis of the report at September 30, 2018, deconsolidating the securitized portfolio of bad loans from that date for prudential purposes as well.

### GACS II

In December 2018, the Bank completed a second multioriginator securitization of a portfolio of non-performing loans (GACS II).

The Transaction provided for 71 mutual banks, Banca Sviluppo and BCC Leasing to sell, pursuant to Law 130 of April 30, 1999, the same number of portfolios of unsecured and mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment for a total credit claim of €2.005 billion to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2018-2 Srl", with the simultaneous grant of a servicing engagement by the latter to a third-party servicer independent of the assignors.

As part of the transaction, on December 7, 2018, the special purpose vehicle acquired the portfolio from the assignor banks, financing the purchase by issuing (on July 10, 2018) asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, with a total nominal value of about €558.2 million, divided into the following classes:

- €478 million of senior notes granted investment grade of BBB by Scope Rating AG and BBB (low) by DBRS Rating Limited, subscribed by the assignors in proportion to the exposures assigned;
- €60.129 million of mezzanine notes with a B+ rating Scope Rating AG and CCC by DBRS Rating Limited, which were sold, together with the junior notes and with the exception of highlighted below, to qualified investors without any connection, interest or participation with the assignors;

- €20.043 million of junior notes, unrated.

The following table summarizes the amount and annual rates of the notes issued:

| Tranche | Amount issued (euros) | Rate |
|---|---|---|
| Senior Notes | 478,000,000 | Euribor 6m + 0,30% |
| Mezzanine Notes | 60,129,000 | Euribor 6m + 6% |
| Junior Notes | 20,043,080 | 12% + Class J Notes Variable Return (any additional return) |
| **Total** | **558,172,080** | |

The notes are not listed on any regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction as referred to (i) Article 405, paragraph 1, letter a) of Regulation (EU) 575/2013 (the "CRR"), (ii) Article 51, paragraph 1, letter a) of Delegated Regulation (EU) 231/2013 (the "AIMFD Regulation") and (iii) Article 254, paragraph 2, letter A) of Delegated Regulation (EU) 35/2015 (the "Solvency II Regulation"), the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the "vertical slice" approach).

The SPV also obtained two derivatives to hedge interest rate risk in an initial amount equal to the total nominal value of the senior and mezzanine notes.

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - Optional Redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - Redemption for Tax Reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws).

Note that the SPV may also carry out repayments through the partial or full sale to third parties of the portfolio of non-performing loans, as part of a competitive auction.

Finally, as part of the Transaction, a cash reserve was set up in an amount equal to 3% of the nominal value of the senior notes (€14.34 million*)*, to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan granted by Iccrea.

The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead. In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: (i) the aggregate cumulative collections for the period immediately preceding the calculation are 80% lower than the expected collections envisaged for the same date in the securitization contracts; (ii) interest is not paid on the Class A notes; (iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 80%. In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

The portfolio securitized by BCC Leasing includes loans classified as bad loans at the assignment date with a gross book value at December 31, 2018 of €60,773,866.91 and an aggregate gross value at the assignment date, net of impairment adjustments and including any collections on the loans pertaining to the SPV received by the Bank between the date of determination of the carrying amount and the assignment date, certified on the basis of the accounting records, of €16,856,504.19 (of which collections equal to €0.00), assigned for €16,455,673.35

The following table shows the positions in respect of the securitization held by Iccrea Banca SpA following the issue.

| Class | Amount | ISIN |
|---|---|---|
| Class A | 16,219,000 | IT0005356925 |
| Class B | 102,000 | IT0005356933 |
| Class C | 33,878 | IT0005356941 |

The derecognition of the bad loans from the Bank's financial statements took place on December 20, 2018, following the assignment of about 95% of the Mezzanine and Junior notes to a fully independent third-party investor. From a prudential point of view, however, for reasons connected with the deadlines for the relevant notices to the competent authorities, the derecognition of the assigned portfolio was not completed by the end of December 2018. In calculating the prudential requirements, therefore, the Bank considered the securitized assets as if the transaction had not been carried out.

On December 27, 2018 Iccrea Banca submitted, on behalf of the participants in the operation, an application for admission to the State Guarantee Scheme for the senior notes to the Ministry for the Economy and Finance (MEF).

The State Guarantee on the liabilities issued was issued on March 5, 2019 upon completion of the procedure provided for by the MEF.

For the purposes of calculating the capital requirement relating to own securitization transactions carried out in previous years, the Bank has applied the derogation provided for by Regulation (EU) 2017/2401 consisting in the possibility of continuing to use the standardized method until December 31, 2019 (as governed by Regulation (EU) 575/2013, Part Three, Title II, Chapter 5, Section 3, Subsection 3, prior to the amendment introduced with Regulation (EU) 2017/2401) for all securitization transactions completed before January 1, 2019 (the "grace period").

### GACS III

For more information on the transaction, please see the earlier section on securitizations carried out as "Originator".

The following table shows the positions effectively subscribed by the Bank in respect of the securitization.

| Class | Nominal amount held | Fair value | ISIN |
|---|---|---|---|
| Class A | 30,962,000 | 30,962,000 | IT0005394348 |
| Class B | 4,622,588 | 118,483 | IT0005394355 |
| Class C | 1,151,286 | 5 | IT0005394363 |

### GACS IV

For more information on the transaction, please see the earlier section on securitizations carried out as "Originator".

The following table shows the positions effectively subscribed by the Bank in respect of the securitization.

| Class | Nominal amount held | Fair value | ISIN |
|---|---|---|---|
| Class A | 25,283,000 | 25,283,000 | IT0005428245 |
| Class B | 114,932 | 51,162 | IT0005428286 |
| Class C | 67,277 | 28 | IT0005428294 |

## QUANTITATIVE DISCLOSURES

### C.1 EXPOSURES IN RESPECT OF MAIN OWN SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

| | | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks |
| **A. Fully derecognized** | | | | | | | | | | | | | | | | | | | |
| BCC NPLS 2018-2/TV ABS 20420731 | impaired exposures | 10,181 | (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 2018-2/TV ABS 20420731 | impaired exposures | - | - | 6 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans | performing exposures | 7,471 | (1,012) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 2018/TV ABS 20380630 S | impaired exposures | 9,999 | (2) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans | performing exposures | 8,728 | (1,467) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 20 20/45 TV CL J | impaired exposures | - | - | - | - | 19 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 2018-2/TV ABS 20420731 | impaired exposures | - | - | - | - | 3 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 20 19/44 CL A | impaired exposures | 24,225 | (4) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 20 19/44 TV | impaired exposures | - | - | 176 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans | performing exposures | 7,727 | (22) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 20 20/45 TV CL A | impaired exposures | 64,967 | (10) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 20 20/45 TV CL B | impaired exposures | - | - | 317 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans | performing exposures | 10,201 | (29) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 21 CL A | impaired exposures | 3,381 | (1) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans | performing exposures | 10,698 | (31) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 22 22/31,01,47 TV | impaired exposures | 6,457 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Loans | performing exposures | 3,735 | (11) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 22 22/31,01,47 TV | impaired exposures | - | - | - | - | 4 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 22 22/31,01,47 TV | impaired exposures | - | - | 72 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BCC NPLS 21 CL B | impaired exposures | - | - | 30 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **B. Partially derecognized** | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| **C. Not derecognized** | | | | | | | | | | | | | | | | | | | |

The exposures reported in the table regard to the securitization transactions, carried out pursuant to Law 130/91, different from the self-securitization transactions in which at the time of issue the Bank repurchased the full amount of the notes issued by the special purpose vehicle.

## C.2 EXPOSURES IN RESPECT OF MAIN THIRD-PARTY SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

| | | On-balance-sheet exposures | | | | | | Guarantees issued | | | | | | Credit lines | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | | Senior | | Mezzanine | | Junior | |
| | | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Carrying amount | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks | Net exposure | Writedowns / writebacks |
| **A. Fully derecognized** | | | | | | | | | | | | | | | | | | | |
| LUCREZIA SECURISATION SRL - TERAMO | impaired exposures | 53 | (1,179) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| LUCREZIA SECURISATION SRL - CREDIVENETO | impaired exposures | 355 | (776) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| LUCREZIA SECURISATION SRL - PADOVANA IRPINIA | impaired exposures | 551 | (2,363) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

The exposures reported in the table refer to securities held and loans disbursed by the Bank in respect of third-party securitizations that, at the reporting date, totaled €102,300 thousand (carrying amount).

More specifically, they regard:

- unrated securities issued by the special purpose vehicle "Lucrezia Securitisation Srl" in connection with the securitization of portfolios of bad loans acquired as part of the intervention to resolve crises at the following mutual banks:
  - Banca Padovana and BCC Irpina (nominal value in portfolio €6,746 thousand, writedowns of €2,184 thousand);
  - Crediveneto (nominal value in portfolio €2,463 thousand, writedowns of €578 thousand);
  - BCC Teramo (nominal value in portfolio €1,385 thousand, writedowns of €1,054 thousand);

## C.3 SPECIAL PURPOSE SECURITIZATION VEHICLES

| | Registered office | Consolidation | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|---|---|
| | | | Loans | Debt securities | Other | Senior | Mezzanine | Junior |
| 1. BCC NPL 2018 | Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italy | no | 89,766 | - | - | 159,032 | 16,147 | 2,946 |
| 2. BCC NPL 2018-2 | Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italy | no | 164,043 | - | - | 310,853 | 26,514 | 7,535 |
| 3. BCC NPLS 2019 | Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italy | no | 163,870 | - | - | 241,548 | 31,491 | 2,209 |
| 4. BCC NPLS 2020 | Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italy | no | 279,116 | | | 351,353 | 21,155 | 3,073 |
| 5. BCC NPLS 2021 | Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italy | no | 265,080 | | | 260,090 | 12,272 | 590 |
| 6. BCC BCC NPLS 2022 | Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italy | no | 125,193 | | | 131,834 | 5,392 | 531 |

## C.4 UNCONSOLIDATED SPECIAL PURPOSE SECURITIZATION VEHICLES

The table has not been completed because there were no such positions as of the reporting date.

## C.5 SERVICER ACTIVITIES – OWN SECURITIZATIONS: COLLECTIONS ON SECURITIZED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY SECURITIZATION VEHICLE

The table has not been completed because there were no such positions as of the reporting date.

## D. DISCLOSURES ON UNCONSOLIDATED STRUCTURED ENTITIES (OTHER THAN SECURITIZATION VEHICLES)

### QUANTITATIVE DISCLOSURES

| | Classification under assets (*) | Total assets (A) | Classification under liabilities | Total liabilities (B) | Net carrying amount (C=A-B) | Maximum loss exposure (D) | Difference between loss exposure and carrying amount (E=D-C) |
|---|---|---|---|---|---|---|---|
| **1. Vehicle company** | | | | | | | |
| **2.CIU** | | | | | | | |
| | Other financial assets mandatorily measured at fair value | 393,938 | | | 393,938 | 393,938 | - |
| | Financial assets held for trading | 10,080 | | | 10,080 | 10,080 | - |

# E. DISPOSALS

## A. FINANCIAL ASSETS ASSIGNED BUT NOT FULLY DERECOGNIZED

### QUALITATIVE DISCLOSURES

The operations mainly regard the use of government securities holdings for short- and medium-term repurchase transactions and receivables from customers assigned in the Group's securitization of its own assets.

### QUANTITATIVE DISCLOSURES

### E.1 FINANCIAL ASSETS ASSIGNED BUT FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

| | Financial assets assigned but fully recognized | | | | Associated financial liabilities | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | of which: securitized | of which: sold with agreement to repurchase | of which: impaired | Carrying amount | of which: securitized | of which: sold with agreement to repurchase |
| **A. Financial assets held for trading** | **-** | **-** | **-** | **X** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | X | - | - | - |
| 2. Equity securities | - | - | - | X | - | - | - |
| 3. Loans | - | - | - | X | - | - | - |
| 4. Derivatives | - | - | - | X | - | - | - |
| **B. Other financial assets mandatorily measured at fair value** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Equity securities | - | - | - | X | - | - | - |
| 3. Loans | - | - | - | - | - | - | - |
| **C. Financial assets designated as at fair value** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Loans | - | - | - | - | - | - | - |
| **D. Financial assets measured at fair value through other comprehensive income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1. Debt securities | - | - | - | - | - | - | - |
| 2. Equity securities | - | - | - | X | - | - | - |
| 3. Loans | - | - | - | - | - | - | - |
| **E. Financial assets measured at amortized cost** | **2,896,434** | **-** | **2,896,434** | **-** | **2,852,241** | **-** | **2,852,241** |
| 1. Debt securities | 2,896,434 | - | 2,896,434 | - | 2,852,241 | - | 2,852,241 |
| 2. Loans | - | - | - | - | - | - | - |
| **Total 31/12/2023** | **2,896,434** | **-** | **2,896,434** | **-** | **2,852,241** | **-** | **2,852,241** |
| **Total 31/12/2022** | **1,072,567** | **-** | **1,072,567** | **-** | **1,454,226** | **-** | **1,454,226** |

### E.2 - FINANCIAL ASSETS ASSIGNED AND PARTIALLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

The table has not been completed because there were no such positions as of the reporting date.

## E.3 DISPOSALS INVOLVING LIABILITIES WITH RECOURSE ONLY ON ASSIGNED ASSETS NOT FULLY DERECOGNIZED: FAIR VALUE

The table has not been completed because there were no such positions as of the reporting date.

## B. FINANCIAL ASSETS ASSIGNED AND FULLY DERECOGNIZED WITH RECOGNITION OF CONTINUING INVOLVEMENT

The table has not been completed because there were no such positions as of the reporting date.

## C. FINANCIAL ASSETS ASSIGNED AND FULLY DERECOGNIZED

### QUALITATIVE DISCLOSURES

At December 31, 2023, the Bank held shares in investment funds acquired as part of multi-originator assignments of loan portfolios, as detailed below.

### BACK2BONIS FUND- PROJECT CUVÉE DISPOSAL

On December 3, 2021 Iccrea Banca S.p.A., and the Group bank Cassa Rurale ed Artigiana di Binasco - Credito Cooperativo S.C. completed the assignment of unlikely-to-pay (UTP) loans to the SPV 130 Ampre Srl receiving in exchange units in the Back2Bonis fund, a restricted Italian alternative closed-end investment fund, managed by Prelios SGR SpA.

Iccrea Banca and CRA Binasco do not hold any interest in the vehicle and do not act as servicers for the transaction.

The disposal is part of a broader operation involving Italy's leading banking groups, including Intesa, Unicredit, MPS and BPM, denominated Project Cuvée.

#### Objective of the disposal

AMCO (Special and Master Servicer) and Prelios (Real Estate Partner and manager of the Fund through Prelios SGR) sponsor a multi-originator platform to manage UTP positions in respect of loans and credit lines granted to companies operating in the real estate sector with the intention to offer the assigning banks the following benefits:

- increase potential recoveries thanks to specific skills in real estate;
- enhance the efficiency of the management of real estate projects through the restructuring of the financial position of the borrowers and the new finance made available by the fund;
- maximize of the sale value of the properties on the basis of agreed business plans, with a consequent financial benefit from the recovery of the loans;
- deconsolidate the impaired loans contributed to the Back2Bonis fund and recognize the units of the fund, with a consequent reduction in the NPE ratio of the assignor banks.

#### Implementation of the disposal

Iccrea Banca participated in Wave 4 of the Cuvée Project in respect of a portfolio of 3 positions with a gross carrying amount of €8.5 million. This brought the value of loans under management by the Back2Bonis Fund to €1.1 billion.

Against the assignment of the loans, Iccrea Banca received 9.1 units with a nominal value of €4.3 million (€467 thousand per unit), representing 0.8% of the Fund's capital.

## BACK2BONIS FUND - PROJECT QUANTUM DISPOSAL

On December 12, 2023, within the broader scope of the overall derisking operation denominated Quantum, the following mutual banks belonging to the Group completed the second assignment to Back2Bonis (B2B), a restricted Italian alternative closed-end investment fund reserved for professional investors established and managed by Prelios SGR SpA of impaired exposures in respect of mortgage loans or unsecured loans classified as unlikely to pay:

- Emil Banca – Credito Cooperativo – S.C.
- Iccrea Banca SpA
- Banca di Credito Cooperativo di Alba, Langhe, Roero e Del Canavese S.C.

### Implementation of the disposal

As with the previous assignment, the Fund provides for the issue a single class of unit bearing the same administrative and property rights for all unitholders, in accordance with its Rules.

In December 2023, the banks assigned, for consideration and without recourse, loan portfolios mainly classified as unlikely to pay to the SPV 130 securitization vehicle established pursuant to Law 130/1999. The loans were assigned in full to the vehicle, of which the Fund, managed independently by the SGR is the sole noteholder.

Against the assignment of the loans to the vehicle, each bank subscribed units of the B2B Fund, which in turn subscribed the notes issued by SPV 130 to offset the Fund’s receivable due from the latter as a result of the assignments.

At the assignment date, the gross and net carrying amount of the loans assigned by the banks came to €9.6 million and €3.5 million, respectively.

### Objective of the disposal

For the assignor banks, the objective of the transaction is to achieve the following main benefits:

- increase potential recoveries thanks to specific skills in the sectors of the target companies and restructuring operations;
- stabilize the financial condition of the borrowers, including through the provision of new finance made available by the fund;
- deconsolidate the impaired loans contributed and recognize the units of the fund, with a consequent reduction in the NPE ratio of the assignor banks.

### Accounting treatment

No Group entity has power over the relevant activities of the fund, although each assignor and the Group as a whole are exposed to the variable returns of the operation. This circumstance rules out application of IFRS 10 for the purposes of consolidating the Fund. Having verified the other conditions for derecognition, the loans were derecognized and the units acquired were recognized.

The assignment thus led to the full derecognition of the assigned loans by the assignor banks. The fund units are classified under “Financial assets mandatorily measured at fair value through profit or loss”, since their nature and contractual characteristics mean they do not pass the SPPI test. In compliance with the applicable accounting standards and the policies, criteria and methods defined by the Group, the value of the units was modified at December 31, 2023 to take account of the liquidity adjustment. For more information, please see Part A “Accounting policies” of these notes to the financial statements.

The value of the units recognized at December 31, 2023 came to €9.9 million (including the liquidity adjustment).

### Prudential treatment of the units recognized

The units are weighted in accordance with the rules set out in Articles 132 et seq. of Regulation (EU) 876/2019 (CRR2), applying the Look-Through Approach (LTA).

## ILLIMITY CREDIT & CORPORATE TURNAROUND DISPOSAL

### Description of the disposal

On April 1, 2021 Iccrea Banca SpA and the Group banks La BCC Ravennate, Forlivese e Imolese, Chiantibanca and BCC Leasing completed the assignment of unlikely-to-pay (UTP) loans to the Illimity Credit & Corporate Turnaround fund, a restricted Italian alternative closed-end investment fund, established on the same date, receiving in exchange units in the fund managed by Illimity SGR. Iccrea Banca and the Group's banks do not act as servicers for the transaction. The disposal is part of a broader operation involving Italy's leading banking groups, including BPER Group, BNL, B. Pop. di Sondrio, Banca Sella, CR Ravenna, Banco Desio, Credit Agricole and CR Asti.

### Objective of the disposal

Illimity CCT (the "Fund") is the first fund launched by Illimity SGR, an asset management company established and owned by Illimity Bank. The Fund will focus on UTP exposures and in general on loans to companies in situations of financial strain but with good prospects for restructuring and revival (the "Target" companies), a market segment in which Illimity Bank is already present with its SME division.

The Fund has a maximum size of €600 million, with variable participation between Credit units, subscribed by the assignors of the UTP loans, and Finance units, subscribed by investors other than the assignor banks, with repayment waterfalls and specified returns.

Based on the latest business plan available, the estimated IRR for the Credit units is on the order of 1%, with the Fund to close in 2029.

For the assignor banks, the objective of the transaction is to achieve the following main benefits:

- increase potential recoveries thanks to specific skills in the sectors of the target companies and restructuring operations;
- stabilize the financial condition of the borrowers, including through the provision of new finance made available by the fund;
- achieve economies of scale to maximize the value of receivables from the same Target assigned by different banks;
- deconsolidate the impaired loans contributed and recognize the units of the fund, with a consequent reduction in the NPE ratio of the assignor banks.

### Implementation of the disposal

Iccrea Banca participated in the Wave 1 in respect of a portfolio of 4 positions with a gross carrying amount of €16.9 million, receiving in exchange units in the fund for a nominal amount of €11.6 million equal to about 7% of the Crediti units of the Fund.

The value of the units recognized at December 31, 2023 came to €10.3 million (including the liquidity adjustment).

## ILLIMITY REAL ESTATE CREDIT FUND DISPOSAL

### Description of the disposal

On August 8, 2022 Iccrea Banca SpA and the Group banks BCC Ravennate, Forlivese e Imolese, Chiantibanca and BCC Leasing completed the assignment of unlikely-to-pay (UTP) loans to the Illimity Credit & Corporate Turnaround fund, a restricted Italian alternative closed-end investment fund, established on the same date, receiving in exchange units in the fund managed by Illimity Sgr.

ICCREA Banca and the Group's banks do not act as servicers for the transaction.

The disposal is part of a broader operation involving Italy's leading banking groups, including BPER Group, BNL, B. Pop. di Sondrio, Banca Sella, CR Ravenna, Banco Desio, Credit Agricole and CR Asti.

### Implementation of the disposal

The loans assigned by the bank came to a gross carrying amount of €€18.1 million, with a total NAV of €8.6 million, equal to 25.1% of the Fund units at December 31, 2022. The net carrying amount at the assignment date was €6.8 million.

The value of the units recognized at December 31, 2023 came to €8.2 million (including the liquidity adjustment).

## "UTP ITALIA FUND - COMPARTO CREDITI DISPOSAL"

As part of the broader "MIBLE" derisking operation, the transfer of impaired loans represented by bad loans and UTPs was completed in the first quarter of 2023, largely relating to households and small economic operators, mainly mortgages backed by residential and commercial guarantees to the "UTP Italia – Comparto Crediti" Fund, a restricted Italian alternative closed-end investment fund for professional investors.

The transaction consisted of two assignments:

- in February 2023, the first assignment was completed with a portfolio of individual loans amounting to about 102.8 million, involving 39 mutual banks and the Parent Company Iccrea Banca;
- in September 2023, the second assignment was completed by the Parent Company Iccrea Banca and 26 mutual banks in the total amount of €33.5 million.

The purpose of the Fund is the professional management and development of its assets over a medium/long-term horizon. This management activity is performed with the aim of dividing any net profits deriving from both the management and sale of the investments among the participants.

### Implementation of the disposal

The Fund has two segments: (a) "Fondo UTP ITALIA - Comparto Crediti" and (b) "Fondo UTP ITALIA – Comparto Nuova Finanza". Each segment issues a single class of unit, namely the "Comparto Crediti" units and the "Comparto Nuova Finanza" units.

The participating banks assigned portfolios mainly including unlikely to pay loans (UTP) to the "UTP Italia - Comparto Crediti" Fund in exchange for the subscription of units of the Fund itself. The manager of the fund, which is owned by leading national banking groups and which is inspired by ethical management principles with a "back to performing" recovery approach, is Sagitta SGR, while Intrum plays the role of servicer and Zenith Service acts as master servicer.

At the assignment dates, the gross carrying amount and the net carrying amount of the loans assigned by the banks came to €2.3 million and €0.4 million, respectively.

### Objective of the disposal

For the assignor banks, the objective of the transaction is to achieve the following main benefits:

- increase potential recoveries thanks to specific skills in the sectors of the target companies and restructuring operations;
- stabilize the financial condition of the borrowers, including through the provision of new finance made available by the fund;
- deconsolidate the impaired loans contributed and recognize the units of the fund, with a consequent reduction in the NPE ratio of the assignor banks.

### Accounting treatment

No Group entity has power over the relevant activities of the fund, although each assignor and the Group as a whole are exposed to the variable returns of the operation. This circumstance rules out application of IFRS 10 for the purposes of consolidating the Fund. Having verified the other conditions for derecognition, the loans were derecognized and the units acquired were recognized.

The assignment thus led to the full derecognition of the assigned loans by the assignor banks. The fund units are classified under "Financial assets mandatorily measured at fair value through profit or loss", since their nature and contractual characteristics mean they do not pass the SPPI test. In compliance with the applicable accounting standards and the policies, criteria and methods defined by the Group, the value of the units was modified at

December 31, 2023 to take account of the liquidity adjustment. For more information, please see Part A “Accounting policies” of these notes to the financial statements.

The value of the units recognized at December 31, 2023 came to €1.9 million (including the liquidity adjustment).

### Prudential treatment of the units recognized

The units are weighted in accordance with the rules set out in Articles 132 et seq. of Regulation (EU) 876/2019 (CRR2), applying the Look-Through Approach (LTA).

## D. TRANSACTIONS IN COVERED BONDS

With regard to covered bonds, in 2023 two additional assignments of the covered bond program, started in 2021, were completed, giving the Group an additional medium-long term funding channel. The program, the first in the cooperative banking industry in Italy, involves Iccrea Banca as the issuer of covered bonds and a number of affiliated banks as assignors and servicers of a portfolio of primary credit quality mortgages pledged to secure the bonds issued.

The Program aims at providing investors with a secured product that can be used to improve their medium/long-term financial profile. Given the evolution of the financial markets, it is part of a broader strategy aimed at:

- contain funding costs, thanks to considerable attractiveness of covered bonds as instruments issued directly by a bank whose repayment is also secured by a segregated asset pool (in this case, residential mortgage loans). Thanks to their ability, in the event of bankruptcy of the issuing bank, to recover their position against specially segregated high quality assets, the holders of covered bonds are willing to accept a lower return than that they would demand for similar unsecured bonds;
- diversify funding sources on the international market;
- lengthen the average maturity of the debt of the Group banks participating in the Program.

The Program, allowing the Group to enter a new market characterized by particular complexity, both operational and legal, was based on a governance and control process entrusted to the responsibility of Iccrea Banca (which also plays a management role and coordination, centralizing the management and control activities of the cover pool, the role of master servicer and test calculation agent) and is based on offer documentation submitted to the approval of the Commission de Surveillance du Secteur Financier (CSSF) of the Grand Duchy of Luxembourg. With the approval of the Program, Iccrea Banca can issue Covered Bonds in the amount of up to €10 billion over a period of 10 years.

The structuring of the Group’s covered bond program involved the implementation of the following activities:

- an assignment by a number of mutual banks to a specially formed SPV called Iccrea Covered Bond Srl of a portfolio of loans held by the assignor banks, which will represent the segregated assets pursuant to and for the purposes of the provisions of Law 130 on securitizations. The program permits additional assignments of loans, which will form part of the segregated assets, both by the initial assignor banks and by any additional affiliated banks;
- the grant to the SPV by the assignor banks of a subordinated loan to provide the SPV with the resources to purchase the loans being assigned (the “subordinated loan”);
- the issue by the SPV of an autonomous, irrevocable and unconditional first demand guarantee (the covered bond guarantee) to the exclusive benefit of the investors holding the covered bonds and senior creditors of the program (the guarantee provides for limited recourse against the assets in the cover pool held by the SPV, which performs the role of Guarantor).
- the issue by Iccrea of the covered bonds and the proportional transfer of the liquidity raised to the assignor banks.

On June 28, 2021 the first portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €674 million by eight initial assignor banks.

After the first sale, on September 23, 2021, Iccrea Banca initiated the first issue of covered bonds, which were placed with professional investors with following characteristics:

- maturity: 7 years;

- nominal amount: €500 million;
- rating: Aa3 by Moody's
  - interest payment rights vest: September 23, 2021;
  - maturity: September 23, 2028;
- interest payments: annual; annual gross fixed rate of 0.01%;

On June 7, 2022 a second portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €697 million by eight assignor banks, three of which were already participating in the Program.

On January 26, 2023 a third portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €498,309,115.64 million by eight assignor banks, six of which were already participating in the Program.

On August 10, 2023 a fourth portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €877,510,691.40 million by 14 assignor banks, nine of which were already participating in the Program.

Following the issue of the second level legislation governing covered bonds, two new issues have been placed, with the consequent disbursement of liquidity to the affiliated banks.

The second and third issues of Covered Bond in 2023 were placed with professional investors, with the following characteristics

Second issue:

- maturity: 5.5 years;
- nominal amount: €650 million;
- rating: Aa3 by Moody's;
- interest payment rights vest: July 12, 2023;
- maturity: January 12, 2029;
- interest payments: annual; annual gross fixed rate of 3.875%;

Third issue:

- maturity: 4 years;
- nominal amount: €600 million;
- rating: Aa3 by Moody's;
- interest payment rights vest: November 8, 2023;
- maturity: November 8, 2027;
- interest payments: annual; annual gross fixed rate of 4.0%;

The table below details the participation of the individual assignor banks in the Program at December 31, 2023.

| | Contribution |
|---|---|
| Emil Banca - Credito Cooperativo - Societa' Cooperativa | 283,630.39 |
| Banca Centro-Credito Cooperativo Toscana-Umbria Soc.Cooperativa | 114,017.76 |
| Credito Cooperativo Friuli (Abbreviato Credifriuli) - Societa' Cooperativa | 259,144.49 |
| Banca di Credito Cooperativo Di Milano - Societa' Cooperativa | 169,950.48 |
| Credito Cooperativo Ravennate, Forlivese e Imolese Societa' Cooperativa | 326,575.81 |
| Banca Patavina Credito Cooperativo di Sant'Elena e Piove Di Sacco, Societa' Cooperativa | 127,024.94 |
| Centromarca Banca - Credito Cooperativo di Treviso E Venezia, Societa' Cooperativa Per Azioni | 58,939.53 |
| Banca di Credito Cooperativo Venezia Giulia Societa' Cooperativa | 119,339.29 |
| Banca della Marca Credito Cooperativo - Societa' Cooperativa | 98,532.83 |
| Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo - Societa' Cooperativa | 59,140.14 |
| Cassa Rurale ed Artigiana di Binasco - Credito Cooperativo Societa' Cooperativa | 52,085.76 |
| Banca di Credito Cooperativo di Busto Garolfo E Buguggiate -Societa' Cooperativa | 45,748.42 |
| Terre Etrusche Di Valdichiana e di Maremma - Credito Cooperativo- S.C. | 123,808.87 |
| Banca di Credito Cooperativo di Roma Societa' Cooperativa | 347,231.71 |
| Credito Padano Banca di Credito Cooperativo - Societa' Cooperativa | 65,523.96 |
| Banca di Credito Cooperativo della Calabria Ulteriore - Societa' Cooperativa | 26,203.88 |
| Banca di Credito Cooperativo di Bellegra Societa' Cooperativa | 26,212.42 |
| Banca Alpi Marittime Credito Cooperativo Carru' - Società Cooperativa Per Azioni | 98,269.81 |
| Chiantibanca - Credito Cooperativo S.C. | 65,504.14 |
| Banca di Credito Cooperativo dei Colli Albani - Società Cooperativa | 19,714.79 |
| Rivierabanca - Credito Cooperativo di Rimini e Gradara - Società Cooperativa | 65,503.82 |
| **Total Cover Pool** | **2,552,103.26** |

### Accounting and reporting treatment

As regards the accounting treatment of the operation:

- the assigned loans continue to be recognized by the assignor banks under item 40 b) "Financial assets measured at amortized cost: loans to customers", under the sub-item "medium/long-term loans", as the assignors retain the risks and rewards associated with the ownership of the assigned loans. The granted by the transferors to the SPV is not recognized as a separate item, as it is offset by the debt to the vehicle connected with the initial transfer price. This loan is therefore not subject to assessment for credit risk purposes, as the risk is entirely reflected in the valuation of the assigned loans, which continue to be recognized in the financial statements of the assignors;
- the value of the loans changes on the basis of events affecting them (account movements and valuations). Loan payments collected by assignors (who also act as servicers) are paid daily to the vehicle on the "collection account" and accounted for by the assignors as follows:
    - the collection of the principal amount from the borrower is recognized against a decrease in the receivable from the same borrower;
    - the payment of the principal amount to the vehicle is recognized against the recognition of a receivable from the vehicle;
    - the receivable is closed at the time of repayment of the subordinated loan;
- the interest collected from the borrower is recognized under item 10 of the income statement "Interest income: loans to customers" (interest on loans continues to be recognized on an accruals basis through the allocation of amounts accruing);
- the payment of interest to the vehicle is recognized against the recognition of a receivable from the vehicle;
- that receivable is closed at the time of collection of interest on the subordinated loan;
- Iccrea Covered Bond Srl, owned by Iccrea Banca, is recognized under item 70 "Equity investments";
- the covered bonds issued are recognized in liabilities under item 10c) "Financial liabilities measured at amortized cost: securities issued" and the related interest expense is recognized on an accruals basis.

### Risks and control mechanisms

In order to enable the assignee company to fulfill the obligations of the guarantee granted, Iccrea Banca uses appropriate asset and liability management techniques to ensure the overall balance between the cash flows generated by the assigned assets and the payments due in respect of the covered bonds issued and other transaction costs.

The program has been structured in accordance with applicable laws and regulations, which permit the issue of covered bonds on the condition of compliance with certain capital requirements for the assignor and issuing banks.

The structure of the Iccrea Banca program is subject to stringent regulatory constraints and provides for continuous oversight by the CFO and CRO areas, as well as monitoring by the Internal Audit function and an external auditor (Deloitte & Touche) in the role of Asset Monitor. In particular, the measures concern:

- assessments of the supervisory capital requirements for bond issues;
- audits of the quality and integrity of the assigned assets, in particular the estimated value of the properties to which the mortgages are attached. Action may consist of instructions to the assignor banks to carry out repurchases, make additions or conduct new sales of supplementary assets;
- audits of the maintenance of the correct relationship between the covered bonds issued and the assets transferred as collateral (cover pool);
- audits of compliance with the transfer limits and portfolio supplementation procedures.

Information on the nature of the risks associated with maintaining the Covered Bond Program is provided below:

- portfolio supplementation risks: the contractual documentation provides for an obligation to supplement the portfolio in order to comply with the tests required by applicable legislation. Failure to comply with these tests would represent an issuer event of default, with the consequent activation of the guarantee issued by the SPV. This risk is mitigated by the control mechanisms described above;
- risks relating to cross-collateralization: the participation of the mutual banks - as assignor banks within the program - means that they compete, pari passu with each other as subordinated creditors of the vehicle and, above all, assume the obligation for compliance with regulatory tests and maintaining the quality and integrity of the assets pledged as collateral for the covered bonds. This implies that the limitation of the liability of each assignor bank to the portion of the portfolio transferred to the SPV and the connection of the portfolio supplementation obligations of each assignor bank if the quality of its portfolio should deteriorate only has contractual force between the assignor banks, but is not in any way enforceable against the vehicle and the investors. In order to minimize these consequences, the contractual documentation envisages a coordinating role in the management of the portfolio aimed at limiting the possible impact of a sudden deterioration in the quality of the cover pool.
- liability under the Framework Servicing Agreement: under the provisions of this agreement, Iccrea Banca has undertaken to act as Master Servicer on behalf of the SPV, undertaking in particular to perform the specific activities covered by the Master Servicer engagement indicated therein and assuming the role of entity responsible for verifying the compliance of operations with the law and the prospectus pursuant to Law 130. The Program also provides that each assignor bank shall undertake to handle, on behalf of the SPV, the administration, collection and enforcement of the loans in its portion of the portfolio. Under these contractual arrangements, the SPV grants (i) the role of Master Servicer to Iccrea Banca and (ii) the role of Servicer to the banks, which thus act as the entities responsible for collections on the loans each has assigned to the SPV. The liability risk of Iccrea Banca as Master Servicer are therefore limited to the fulfillment of the obligations undertaken by the latter pursuant to the Framework Servicing Agreement and does not extend to the actions of the servicers, who are in turn directly liable to the SPV on an individual basis.

## F. MODELS FOR MEASURING CREDIT RISK

The section has not been completed because the Bank does not use internal portfolio models for measuring its exposure to credit risk.

## SECTION 2 - MARKET RISKS

## 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 Bank 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).

The measurement activities performed by the Risk Management unit involve:

- verification of the market and price parameters used as inputs in the front office and market risk management applications;
- verification of the quality of the identifying information of the financial instruments;
- validation of methodologies for measuring the fair value of the financial instruments held by the Group;

- production of all risk metrics.

For the purpose of calculating capital requirements for market risks, the Parent Company 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**

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 verify compliance with rules and procedures as well as internal and external regulations.

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 this area, Risk Management is responsible for preparing periodic reporting on the various risk factors, providing appropriate disclosure to the operating lines, 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, a 1-day VaR limit of €2.2 million has been established, calculated with a confidence level of 99%. The Market Risk Policy also specifies VaR limits for the different portfolios, measured using the same method. In the second half of 2023 the indicator never breached the limits at the full book level.

The average VaR of the trading book was equal to €0.93 million, with a minimum of €0.48 million and a maximum of €1.49 million (on August 16, 2023).

At December 31, 2023 the VaR was equal to €0.71 million.

| | Sensitivity Value (in €) | Notes |
|---|---|---|
| Interest Rates | (38,263) | Sensitivity calculated in relation to 1 bp change |
| Inflation Rates | (437) | |
| Credit spread | 28,026 | |
| Equity | 180,521 | Sensitivity calculated in relation to 1% change in the share/stock index |

## 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 Group in compliance with the principles of sound and prudent management.

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.

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.

RISK MANAGEMENT PROCESSES

#### Identification of risks

The interest rate 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 shareholders' 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 deriving from mismatches in maturities (for fixed-rate positions) and repricing dates (for variable-rate positions) due to parallel movements in the yield curve (repricing risk) or changes in the slope or shape of the yield curve (yield curve risk), basis risk, option risk and credit spread risk on the 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 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 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 adverse interest rate variations 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 (ΔEVE – 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 to measures the sensitivity of the net interest income of the banking book (ΔNII – NII sensitivity) are:

- Full Evaluation: the potential impact on net interest income of potential changes in risk-free rates 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 and expected net interest income in a baseline scenario with no such changes. This methodology is also adopted in stress tests to quantify the impacts on net interest income of possible changes in credit spreads (CSRBB);
- Earnings at Risk: a metric aimed at measuring the loss of profitability due to changes in interest rates, 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;
- Repricing gap: this measures the sensitivity of net interest income to changes in the reference rate by aggregating assets and liabilities in time buckets by repricing date. Assets and liabilities are aggregated in a number of predefined time buckets based on their next contractual repricing date or behavioral hypotheses. The weighting of the exposure for each time bucket for the time between the repricing date and the selected time horizon and the subsequent application of the assessment scenarios defined by the Group makes it possible to capture the impact of a change in rates on net interest income.

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 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 verify compliance with rules and procedures as well as internal and external regulations.

### Monitoring and reporting

The 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 the developments under way.

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, if necessary, the Group develops scenarios characterized by larger movements in yield curves than the shocks applied for the continuous monitoring of the IRRBB 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:

- 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.

The identification of risk categories is a starting point and a linkage among the main strategic processes to manage risk management (Risk Appetite Framework, Internal Capital Equity Assessment Process, Contingency & Recovery Plan) and is aimed at limiting the set of risk factors/parameters for which stress scenarios are developed.

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 December 31, 2023 is reported below.

| €/million | Scenario | |
|---|---|---|
| | -100 bp | +100 bp |
| Impact on economic value | + 89 | - 64 |
| Impact on net interest income | - 6 | + 8 |

## 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.

## QUANTITATIVE DISCLOSURES

### 1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

| | Currencies | | | | | |
|---|---|---|---|---|---|---|
| | Dollari USA | Sterline | Yen | Dollari canadesi | Franchi svizzeri | Altre valute |
| **A. Financial assets** | **135,170** | **9,547** | **4,947** | **6,006** | **24,852** | **9,389** |
| A.1 Debt securities | 28,334 | 50 | | | | 647 |
| A.2 Equity securities | 24,678 | 4,659 | | 275 | - | 263 |
| A.3 Loans to banks | 68,479 | 4,838 | 4,947 | 5,731 | 21,232 | 8,479 |
| A.4 Loans to customers | 13,679 | - | | | 3,620 | |
| A.5 Other financial assets | | | | | | |
| **B. Other assets** | **12,138** | **5,794** | **478** | **1,716** | **8,279** | **2,402** |
| **C. Financial liabilities** | **232,579** | **13,533** | **2,676** | **7,510** | **32,185** | **8,909** |
| C.1 Due to banks | 232,064 | 13,533 | 2,676 | 7,510 | 32,132 | 8,909 |
| C.2 Due to customers | 515 | | | | 52 | |
| C.3 Debt securities | | | | | | |
| C.4 Other financial liabilities | | | | | | |
| **D. Other liabilities** | **294** | | | | | |
| **E. Financial derivatives** | | | | | | |
| - Options | | | | | | |
| + Long position | | | | | | |
| + Short positions | | | | | | |
| - Other derivatives | | | | | | |
| + Long positions | 589,982 | 26,607 | 230,934 | 713 | 1,378 | 2,119 |
| + Short positions | 504,817 | 28,410 | 229,788 | 801 | 2,408 | 4,993 |
| **Total assets** | **737,291** | **41,948** | **236,359** | **8,435** | **34,509** | **13,911** |
| **Total liabilities** | **737,690** | **41,943** | **232,464** | **8,310** | **34,592** | **13,903** |
| **Difference (+/-)** | **(399)** | **5** | **3,894** | **125** | **(83)** | **8** |

### 2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODS

There is no information to report.

## SECTION 3 - DERIVATIVES AND HEDGING POLICIES

### 3.1 FINANCIAL DERIVATIVES HELD FOR TRADING

### A. FINANCIAL DERIVATIVES

### A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: END-PERIOD NOTIONAL VALUES

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets |
| | Central counterparties | Without central counterparties | | | Central counterparties | Without central counterparties | | |
| | | Covered by netting agreements | Not covered by netting agreements | | | Covered by netting agreements | Not covered by netting agreements | |
| **1. Debt securities and interest rates** | **9,014,778** | **17,246,602** | **1,138,456** | **-** | **8,266,324** | **20,363,555** | **1,258,440** | **-** |
| a) Options | - | 646,352 | 274,781 | - | - | 565,781 | 253,046 | - |
| b) Swaps | 9,014,778 | 16,544,951 | 863,670 | - | 8,266,324 | 19,766,475 | 1,005,394 | - |
| c) Forwards | - | - | 6 | - | - | - | - | - |
| d) Futures | - | 55,300 | - | - | - | 31,300 | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **2. Equity securities and equity indices** | **-** | **2,284** | **570** | **-** | **-** | **4,338** | **570** | **-** |
| a) Options | - | 2,237 | - | - | - | 2,028 | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | - | 570 | - | - | - | 570 | - |
| d) Futures | - | 47 | - | - | - | 2,310 | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **3. Foreign currencies and gold** | **-** | **1,189,982** | **109,219** | **-** | **-** | **9,620,865** | **1,353,659** | **-** |
| a) Options | - | - | - | - | - | 5,714 | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | 1,189,982 | 109,219 | - | - | 9,615,151 | 1,353,659 | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **9,014,778** | **18,438,868** | **1,248,245** | **-** | **8,266,324** | **29,988,758** | **2,612,669** | **-** |

## A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

| | 31/12/2023 | | | | 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets |
| | Central counterparties | Without central counterparties | | | Central counterparties | Without central counterparties | | |
| | | Covered by netting agreements | Not covered by netting agreements | | | Covered by netting agreements | Not covered by netting agreements | |
| **1. Positive fair value** | | | | | | | | |
| a) Options | - | 7,678 | 19 | - | - | 15,364 | - | - |
| b) Interest rate swaps | 796,074 | 305,716 | 3,520 | - | 1,214,843 | 404,843 | 898 | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - |
| e) Forwards | - | 33,668 | 5,492 | - | - | 88,436 | 8,118 | - |
| f) Futures | - | 229 | - | - | - | 789 | - | - |
| g) Other | - | - | - | - | - | - | - | - |
| **Total** | **796,074** | **347,291** | **9,031** | **-** | **1,214,843** | **509,432** | **9,016** | **-** |
| **2. Negative fair value** | | | | | | | | |
| a) Options | - | 4,113 | 9,721 | - | - | 10,383 | 13,438 | - |
| b) Interest rate swaps | 74,473 | 963,141 | 43,165 | - | - | 1,525,599 | 78,967 | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - |
| e) Forwards | - | 18,413 | - | - | - | 68,893 | 26,972 | - |
| f) Futures | - | 462 | - | - | - | 55 | - | - |
| g) Other | - | - | - | - | - | - | - | - |
| **Total** | **74,473** | **986,128** | **52,887** | **-** | **-** | **1,604,930** | **119,377** | **-** |

## A.3 OVER-THE-COUNTER FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

| | Central counterparties | Banks | Other financial companies | Other |
|---|---|---|---|---|
| **Contracts not covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | X | 1,115,812 | - | 22,645 |
| - positive fair value | X | 3,539 | - | - |
| - negative fair value | X | 52,835 | - | 51 |
| **2) Equity securities and equity indices** | | | | |
| - notional value | X | - | 570 | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | X | 109,219 | - | - |
| - positive fair value | X | 5,492 | - | - |
| - negative fair value | X | - | - | - |
| **4) Commodities** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **5) Other assets** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **Contracts covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | 9,014,778 | 16,664,866 | 581,737 | - |
| - positive fair value | 796,074 | 300,670 | 12,872 | - |
| - negative fair value | 74,473 | 929,887 | 37,787 | - |
| **2) Equity securities and equity indices** | | | | - |
| - notional value | - | 2,284 | - | - |
| - positive fair value | - | 82 | - | - |
| - negative fair value | - | 40 | - | - |
| **3) Foreign currencies and gold** | | | | - |
| - notional value | - | 738,914 | 451,068 | - |
| - positive fair value | - | 29,959 | 3,709 | - |
| - negative fair value | - | 11,452 | 6,961 | - |
| **4) Commodities** | - | - | - | - |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **5) Other assets** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |

### A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES

| | Up to 1 year | More than 1 year and up to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| A.1 Financial derivatives on debt securities and interest rates | 10,038,118 | 6,803,412 | 10,558,307 | 27,399,837 |
| A.2 Financial derivatives on equity securities and equity indices | 2,284 | - | 570 | 2,854 |
| A.3 Financial derivatives on exchange rates and gold | 1,298,748 | 452 | - | 1,299,201 |
| A.4 Financial derivatives on commodities | - | - | - | - |
| A.5 Other financial derivatives | - | - | - | - |
| **Total 31/12/2023** | **11,339,150** | **6,803,864** | **10,558,877** | **28,701,891** |
| **Total 31/12/2022** | **20,947,890** | **7,421,676** | **12,498,185** | **40,867,752** |

### B. CREDIT DERIVATIVES

The section has not been completed because there were no such positions as of the reporting date.

## 3.2 HEDGE ACCOUNTING

### QUALITATIVE DISCLOSURES

For the purposes of hedge accounting, Iccrea Banca, Parent Company of the ICBG, 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, pursuing the objective of reducing the risk profile within the limits of the Risk Appetite Framework as defined and quantified by the competent bodies. These limits concern the exposure of the Bank both in terms of net interest income sensitivity and economic value sensitivity.

The life cycle of a hedge accounting relationship starts with the so-called “designation” phase. With the designation of the hedging relationship, the company declares the methods and the instruments through which it intends to implement the hedging strategy, as defined by the manager of the risk being hedged, as well as the methods of measuring the effectiveness of the hedge. This phase is the responsibility of the manager of the risk being hedged, who draws on the technical functions involved in the hedge accounting process defined in the associated policy.

Once a hedging relationship has been designated, it must be demonstrated that the hedge is highly effective in offsetting fair value changes 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), as well as on a monthly basis for internal transaction monitoring purposes.

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.

### A. FAIR VALUE HEDGING

Fair value hedging is used to immunize changes in the fair value, attributable to the different risk factors, of assets and liabilities or portions of them, of groups of assets/liabilities, of irrevocable commitments and portfolios of financial assets and liabilities.

Iccrea Banca 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) and to portfolios of financial instruments (assets).

Within the scope of micro fair value hedging, hedges are mainly used for securities holdings and bonds issued, while macro hedging is applied to a portfolio of corporate securities.

The main types of derivatives used are represented by plain or structured interest rate swaps (IRS), asset and yield swaps (ASW), and options on interest rates entered into with third parties. 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 derivatives used are interest rate swaps (IRS) not listed on regulated markets, transacted with third party counterparties on OTC markets.

## C. HEDGING OF INVESTMENTS IN FOREIGN OPERATIONS

In 2023 there were no hedges 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 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 Bank does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

## E. HEDGED ITEMS

Hedged items designated as being in a hedge accounting relationship using micro and macro hedges are mainly government securities, corporate securities and bond issues.

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 hedges and macro fair value hedges involving IRSs, ASWs and OISs as hedging instruments. Where present, interest rate and inflation risk are hedged for the duration of the obligation. The effectiveness tests are carried out using the dollar offset method for retrospective assessment and the cumulative scenario method for prospective assessment.

The Bank uses cash flow hedges with variable rate CCT securities to stabilize future cash flows by collecting a fixed rate on the receiver leg of the IRS, paying the variable rate collected on the CCT on the payer leg.

### Debt securities issued

The Bank currently has active micro fair value hedging relationships for fixed-rate funding, using IRSs as hedging instruments.

Hedged bonds outstanding at December 31, 2023 are denominated in euros and are only covered by fair value hedges.

## QUANTITATIVE DISCLOSURES

### A. FINANCIAL HEDGING DERIVATIVES

### A.1 FINANCIAL HEDGING DERIVATIVES: END-PERIOD NOTIONAL VALUES

| | Total 31/12/2023 | | | | Total 31/12/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Over the counter | | | | Over the counter | | | |
| | | Without central counterparties | | | | Without central counterparties | | |
| | Central counterparties | Covered by netting agreements | Not covered by netting agreements | Organized markets | Central counterparties | Covered by netting agreements | Not covered by netting agreements | Organized markets |
| **1. Debt securities and interest rates** | **2,700,215** | **4,260,045** | **-** | **-** | **3,043,656** | **4,370,343** | **-** | **-** |
| a) Options | - | 29,847 | - | - | - | 25,000 | - | - |
| b) Swaps | 2,700,215 | 4,230,199 | - | - | 3,043,656 | 4,345,343 | - | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **2. Equity securities and equity indices** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forward | - | - | - | - | - | - | - | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **3. Foreign currencies and gold** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - | - | - | - | - |
| b) Swaps | - | - | - | - | - | - | - | - |
| c) Forwards | - | - | - | - | - | - | - | - |
| d) Futures | - | - | - | - | - | - | - | - |
| e) Other | - | - | - | - | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **2,700,215** | **4,260,045** | **-** | **-** | **3,043,656** | **4,370,343** | **-** | **-** |

## A.2 FINANCIAL HEDGING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

| | Positive and negative fair value | | | | | | | | Change in value used to calculate hedge effectiveness | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total 31/12/2023 | | | | Total 31/12/2022 | | | | | |
| | Over the counter | | | Organized markets | Over the counter | | | Organized markets | Total 31/12/2023 | Total 31/12/2022 |
| | Central counterparties | Without central counterparties | | | Central counterparties | Without central counterparties | | | | |
| | | Covered by netting agreements | Not covered by netting agreements | | | Covered by netting agreements | Not covered by | | | |
| **Positive fair value** | | | | | | | | | | |
| a) Options | - | - | - | - | - | - | - | - | - | - |
| b) Interest rate swaps | 188,774 | 23,857 | - | - | 484,930 | 85,771 | - | - | - | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - | - | - |
| **Total** | **188,774** | **23,857** | **-** | **-** | **484,930** | **85,771** | **-** | **-** | **-** | **-** |
| **Negative fair value** | | | | | | | | | | |
| a) Options | - | 1,299 | - | - | - | 765 | - | - | - | - |
| b) Interest rate swaps | 49,802 | 86,744 | - | - | 1,642 | 163,086 | - | - | - | - |
| c) Cross currency swaps | - | - | - | - | - | - | - | - | - | - |
| d) Equity swaps | - | - | - | - | - | - | - | - | - | - |
| e) Forwards | - | - | - | - | - | - | - | - | - | - |
| f) Futures | - | - | - | - | - | - | - | - | - | - |
| g) Other | - | - | - | - | - | - | - | - | - | - |
| **Total** | **49,802** | **88,043** | **-** | **-** | **1,642** | **163,851** | **-** | **-** | **-** | **-** |

## A.3 OVER-THE-COUNTER FINANCIAL HEDGING DERIVATIVES: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

| | Central counterparties | Banks | Other financial companies | Other |
|---|---|---|---|---|
| **Contracts not covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **4) Other assets** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **5) Other** | | | | |
| - notional value | X | - | - | - |
| - positive fair value | X | - | - | - |
| - negative fair value | X | - | - | - |
| **Contracts covered by netting arrangements** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | 2,700,215 | 3,894,514 | 365,532 | - |
| - positive fair value | 188,774 | 21,186 | 2,671 | - |
| - negative fair value | 49,802 | 78,933 | 9,110 | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **4) Other assets** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **5) Other** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |

## A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

| | up to 1 year | more than 1 year and up to 5 years | more than 5 years | Total |
|---|---|---|---|---|
| A.1 Financial derivatives on debt securities and interest rates | 4,400,668 | 1,202,964 | 1,356,629 | 6,960,260 |
| A.2 Financial derivatives on equity securities and equity indices | - | - | - | - |
| A.3 Financial derivatives on exchange rates and gold | - | - | - | - |
| A.4 Financial derivatives on commodities | - | - | - | - |
| A.5 Other financial derivatives | - | - | - | - |
| **Total 31/12/2023** | **4,400,668** | **1,202,964** | **1,356,629** | **6,960,260** |
| **Total 31/12/2022** | **3,630,644** | **1,850,095** | **1,933,261** | **7,413,999** |

### B. HEDGING CREDIT DERIVATIVES

The section has not been completed because there are no such positions.

### C. NON-DERIVATIVE HEDGING INSTRUMENTS

The section has not been completed because the Bank 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.

## D. HEDGED ITEMS

### D.1 FAIR VALUE HEDGES

| | Micro hedges: carrying amount | Micro hedges – net positions: carrying amount of assets or liabilities (before offsetting) | Micro hedges | | | Macro hedges: carrying amount |
|---|---|---|---|---|---|---|
| | | | Cumulative value of fair value changes of the hedged instrument | Termination of hedge: cumulative value of residual changes in fair value | Change in value used to calculate hedge ineffectiveness | |
| **A. ASSETS** | | | | | | |
| **1. Financial assets measured a fair value through other comprehensive income – hedges of:** | **273,969** | **-** | **-** | **-** | **-** | **4,193** |
| 1.1 Debt securities and interest rates | 273,969 | - | - | - | - | x |
| 1.2 Equity securities and equity indices | - | - | - | - | - | x |
| 1.3 Foreign currencies and gold | - | - | - | - | - | x |
| 1.4 Loans | - | - | - | - | - | x |
| 1.5 Other assets | - | - | - | - | - | x |
| **2. Financial assets measured at amortized cost – hedges of:** | **5,349,369** | **-** | **(361,445)** | **-** | **-** | **-** |
| 1.1 Debt securities and interest rates | 5,349,369 | - | (361,445) | - | - | x |
| 1.2 Equity securities and equity indices | - | - | - | - | - | x |
| 1.3 Foreign currencies and gold | - | - | - | - | - | x |
| 1.4 Loans | - | - | - | - | - | x |
| 1.5 Other assets | - | - | - | - | - | x |
| **Total 31/12/2023** | **5,623,338** | **-** | **(361,445)** | **-** | **-** | **4,193** |
| **Total 31/12/2022** | **4,905,378** | **-** | **774,882** | **-** | **-** | **16,300** |
| **B. LIABILITIES** | | | | | | |
| **1. Financial liabilities measured at amortized cost – hedges of:** | **1,120,948** | **-** | **5,313** | **-** | **-** | **-** |
| 1.1 Debt securities and interest rates | 1,120,948 | - | 5,313 | - | - | x |
| 1.2 Foreign currencies and gold | - | - | - | - | - | x |
| 1.3 Other assets | - | - | - | - | - | x |
| **Total 31/12/2023** | **1,120,948** | **-** | **5,313** | **-** | **-** | **-** |
| **Total 31/12/2022** | **84,198** | **-** | **(1,790)** | **-** | **-** | **-** |

## D.2 CASH FLOW HEDGES AND HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS

| | Change in value used to calculate hedge ineffectiveness | Hedge reserves | Termination of hedge: residual cumulative value of hedge reserves |
|---|---|---|---|
| **A. CASH FLOW HEDGES** | | | |
| 1. Assets | (17,462) | (4,990) | - |
| 1.1 Debt securities and interest rates | (17,462) | (4,990) | - |
| 1.2 Equity securities and equity indices | | - | - |
| 1.3 Foreign currencies and gold | | - | - |
| 1.4 Loans | - | - | - |
| 1.5 Other | | - | - |
| 2. Liabilities | | - | - |
| 2.1 Debt securities and interest rates | | - | - |
| 2.2 Foreign currencies and gold | | - | - |
| 2.3 Other | | - | - |
| **Total A Total A** | **(17,462)** | **(4,990)** | **-** |
| **Total A Total A** | **(19)** | **(22,460)** | **-** |
| **B. HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS** | | **-** | **-** |
| **Total A+B 31/12/2023** | **(17,462)** | **(4,990)** | **-** |
| **Total A+B 31/12/2022** | **(19)** | **(22,460)** | **-** |

## E. EFFECTS OF HEDGING TRANSACTIONS IN EQUITY

## E.1 - RECONCILIATION OF EQUITY COMPONENTS

| | Reserve from cash flow hedges | | | | | Reserve from hedge of investments in foreign operations | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Debt securities and interest rates | Equity securities and equity indices | Foreign currencies and gold | Loans | Other | Debt securities and interest rates | Equity securities and equity indices | Foreign currencies and gold | Loans | Other |
| **Opening balance** | **(22,460)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0** | **-** |
| Fair value changes (effective portion) | 17,336 | - | - | - | - | - | - | - | 0 | - |
| Reversal to profit or loss | 134 | - | - | - | - | - | - | - | 0 | - |
| of which: forecast transactions no longer expected | - | - | - | - | - | X | X | X | X | X |
| Other changes | - | - | - | - | - | - | - | - | 0 | - |
| of which: transfers to initial carrying amount of hedged instruments | - | - | - | - | - | X | X | X | X | X |
| **Closing balance** | **(4,990)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **0** | **-** |

## 3.3 OTHER INFORMATION ON TRADING AND HEDGING DERIVATIVES

## A. FINANCIAL AND CREDIT DERIVATIVES

### A.1 OVER-THE-COUNTER FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE BY COUNTERPARTY

| | Central counterparties | Banks | Other financial companies | Other |
|---|---|---|---|---|
| **A. Financial derivatives** | | | | |
| **1) Debt securities and interest rates** | | | | |
| - notional value | 11,714,993 | - | - | - |
| - positive fair value | 861,074 | - | - | - |
| - negative fair value | 501 | - | - | - |
| **2) Equity securities and equity indices** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **3) Foreign currencies and gold** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **4) Commodities** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **5) Other** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **B. Credit derivatives** | | | | |
| **1) Purchases of protection** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |
| **2) Sales of protection** | | | | |
| - notional value | - | - | - | - |
| - positive fair value | - | - | - | - |
| - negative fair value | - | - | - | - |

## SECTION 4 - LIQUIDITY RISK

## QUALITATIVE DISCLOSURES

### A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

Iccrea Banca, in its capacity as the Parent Company of the IMBG, is responsible for the management, coordination and control of liquidity risk management within the entire 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 under the Cohesion Contract, the Parent Company 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 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, contingencies 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 Bank and market conditions.

#### Identification of risks

Liquidity risk is defined as the possibility that the Bank is unable to fulfil its payment obligations due to an inability to raise new funds (funding liquidity risk) and/or to divest its assets (market liquidity risk), or is forced to incur a very high cost to fulfil those obligations. Funding liquidity risk can in turn be broken down into:

- mismatching liquidity risk, i.e. the risk connected with differences in the timing of cash inflows and outflows as a result of mismatches in the maturities of financial assets and liabilities on (and off) the balance sheet;
- contingency liquidity risk, i.e. the risk that unexpected events may require a larger amount of cash than previously expected by the Bank to meet payment obligations. This risk can be generated by events such as failure to repay loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financing in the event of a liquidity crisis;
- collateral liquidity risk, i.e. the risk that the Bank, in the face of adverse changes in the fair value of financial instruments, is contractually required to restore margins with the payment of additional collateral/cash margins;
- operational liquidity risk, i.e. the risk that the Bank is unable to meet its current obligations (within a very short-term or intraday horizon) while remaining financially solvency.

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.

The Bank has implemented the Group policy governing the liquidity risk governance and control framework for the Iccrea Cooperative Banking Group, the management model and the principles and rules for the identification, measurement and monitoring of liquidity risk and for the performance of liquidity stress testing. The identification, measurement and monitoring of liquidity risk, subject to periodic review, forms part of the more general Group Risk Management Process (GRMP). The GRMP is a component of the organizational model, cutting across all operational sectors in which risks are assumed and managed, and establishes that activities for the identification, valuation (or measurement), monitoring, prevention and mitigation of risks are present in each sector, also defining the procedures (criteria, methods and means) with which these activities are performed.

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 Bank'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 liquidity position when endogenous and/or exogenous stress events occur.

### 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, two maturity curves are developed: 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 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, both at short and 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 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 (RAS, risk limits and contingencies) 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 verify compliance with rules and procedures as well as internal and external regulations.

### Monitoring and reporting

Control activities are carried out by the Risk Management function and 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 should the specified limits be exceeded. Control activities is based on the assessment and measurement of the risk profile with respect to the risk indicators established by the Risk Governance framework and are an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the 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 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 business strategies;
- to identify, in preparing the recovery plan, scenarios that would compromise the survival of the Bank if appropriate recovery actions were not taken;
- to test the effectiveness of mitigation actions taken within the Contingency Funding & Recovery Plan and recovery actions provided for in the "near-default" scenarios to be taken in adverse situations in order to limit the exposure to liquidity risk;
- verify the feasibility of the funding plan, taking due account of the findings of the stress analysis.

In accordance with regulatory provisions, the Bank 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, various types of mutually complementary analyses have been adopted:

- 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 Bank;
- stress scenarios caused by specific events (idiosyncratic), i.e. an event (or combination of events) whose occurrence generates/involves highly adverse consequences for the Bank. In defining those events, a specific analysis was conducted, considering the specific organizational, operational and risk features that distinguish the Bank;
- 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 Bank to cope with any liquidity strains.

Shocks generated by the main risk variables have been incorporated for each scenario, 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.

The stress scenarios do not take account of the effects of exchanges rates on currencies, as exchange rate risk is assumed to be negligible and/or essentially offset.

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. For prudential purposes, the framework does not envisage offsetting effects deriving from the combination of the events considered.

## IMPACT OF THE COVID-19 PANDEMIC, THE RUSSIA-UKRAINE CONFLICT AND THE ISRAELI-PALESTINIAN CRISIS

The Bank’s existing risk measurement and control system has not undergone significant changes as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency, followed by the Russia-Ukraine conflict and the more recent Israeli-Palestinian crisis.

## QUANTITATIVE DISCLOSURES

## 1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

### EURO

| | On demand | More than 1 day to 7 days | More than 7 days to 15 days | More than 15 days to 1 month | More than 1 month to 3 months | More than 3 months to 6 months | More than 6 months to 1 year | More than 1 year to 5 years | More than 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. On-balance-sheet assets** | **2,897,507** | **2,978,223** | **548,076** | **1,526,657** | **4,095,199** | **2,458,225** | **14,336,312** | **10,279,398** | **10,488,751** | **1,947,020** |
| A.1 Government securities | - | - | 1,139 | 108,100 | 488,690 | 773,340 | 310,878 | 1,970,198 | 7,146,244 | - |
| A.2 Other debt securities | 2,828 | 125 | 634 | 53,380 | 74,099 | 22,067 | 114,206 | 2,075,306 | 1,099,528 | - |
| A.3 Units in collective investment undertakings | 404,018 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 2,490,660 | 2,978,098 | 546,304 | 1,365,177 | 3,532,411 | 1,662,818 | 13,911,227 | 6,233,894 | 2,242,979 | 1,947,020 |
| - banks | 1,248,271 | 2,460,564 | 544,752 | 999,315 | 3,029,037 | 1,179,915 | 13,101,260 | 3,256,245 | 1,367,657 | 1,947,020 |
| - customers | 1,242,389 | 517,534 | 1,551 | 365,862 | 503,374 | 482,903 | 809,967 | 2,977,649 | 875,322 | - |
| **B. On-balance-sheet liabilities** | **13,371,780** | **10,035,955** | **1,096,987** | **369,457** | **1,338,177** | **1,457,246** | **18,381,418** | **6,275,602** | **2,784,758** | **-** |
| B.1 Deposits and current accounts | 12,901,765 | 10,015 | 81,933 | 169,291 | 828,325 | 141,806 | 1,606,555 | 1,701,408 | 469,172 | - |
| - banks | 11,969,896 | 10,015 | 81,933 | 169,291 | 828,268 | 141,806 | 1,606,555 | 1,701,408 | 469,172 | - |
| - customers | 931,870 | - | - | - | 57 | - | - | - | - | - |
| B.2 Debt securities | - | 1,193 | 12,697 | 59,250 | 38,604 | 57,473 | 86,185 | 3,643,790 | 1,349,900 | - |
| B.3 Other liabilities | 470,015 | 10,024,747 | 1,002,357 | 140,916 | 471,248 | 1,257,967 | 16,688,677 | 930,404 | 965,686 | - |
| **C. Off-balance-sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | 48,784 | 23,618 | 5,079 | 472,421 | 85,927 | 11,279 | 45,286 | 42,234 | - |
| - short positions | - | 64,964 | 60,105 | 2,555 | 475,849 | 84,497 | 6,436 | 6,225 | 93,699 | - |
| C.2 Financial derivatives without exchange of principal | | | | | | | | | | |
| - long positions | 2,913,967 | - | 1,926 | 2,556 | 54,214 | 64,383 | 111,975 | - | - | - |
| - short positions | 2,895,353 | - | - | 171 | 11,587 | 34,927 | 19,699 | - | - | - |
| C.3 Deposits and loans to receive | | | | | | | | | | |
| - long positions | - | 9,865,737 | - | 55,275 | - | 7,686,452 | 4,418,331 | 3,403,196 | - | - |
| - short positions | - | - | - | 158,053 | 1,635,968 | 12,976,891 | 6,058,898 | 4,599,181 | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - long positions | 23,215 | 1,044,226 | - | 58,609 | 448 | 56,001 | 9,059 | 97,250 | 78,711 | - |
| - short positions | 590,266 | 944,162 | - | - | - | 99,866 | 107,129 | - | - | - |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |

## OTHER CURRENCIES

| | On demand | More than 1 day to 7 days | More than 7 days to 15 days | More than 15 days to 1 month | More than 1 month to 3 months | More than 3 months to 6 months | More than 6 months to 1 year | More than 1 year to 5 years | More than 5 years | Unspecified maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. On-balance-sheet assets** | **78,729** | **3,380** | **2,685** | **9,775** | **14,670** | **19,645** | **15,819** | **16,942** | **1,383** | **-** |
| A.1 Government securities | - | - | 4 | - | 3 | 4,744 | 4,804 | 6,419 | 1,364 | - |
| A.2 Other debt securities | - | - | - | 2 | 238 | 356 | 5,082 | 7,270 | 19 | - |
| A.3 Units in collective investment undertakings | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 78,729 | 3,380 | 2,681 | 9,773 | 14,429 | 14,545 | 5,933 | 3,252 | - | - |
| - banks | 78,729 | 3,380 | 2,681 | 9,773 | 6,590 | 7,670 | 1,339 | 3,252 | - | - |
| - customers | - | - | - | - | 7,839 | 6,875 | 4,594 | - | - | - |
| **B. On-balance-sheet liabilities** | **119,951** | **98,184** | **21,278** | **31,761** | **18,464** | **5,411** | **2,207** | **537** | **20** | **-** |
| B.1 Deposits and current accounts | 114,615 | 98,184 | 21,278 | 31,761 | 18,464 | 5,229 | 2,026 | - | - | - |
| - banks | 114,250 | 98,184 | 21,278 | 31,761 | 18,464 | 5,229 | 2,026 | - | - | - |
| - customers | 365 | - | - | - | - | - | - | - | - | - |
| B.2 Debt securities | - | - | - | - | - | - | - | - | - | - |
| B.3 Other liabilities | 5,337 | - | - | - | - | 182 | 181 | 537 | 20 | - |
| **C. Off-balance-sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | 89,848 | 38,883 | 2,529 | 638,615 | 79,859 | 3,850 | 232 | 735 | - |
| - short positions | - | 68,293 | 2,819 | 5,018 | 611,995 | 72,894 | 11,264 | 851 | 888 | - |
| C.2 Financial derivatives without exchange of principal | | | | | | | | | | |
| - long positions | 402 | - | - | - | - | - | - | - | - | - |
| - short positions | 422 | - | - | - | - | - | - | - | - | - |
| C.3 Deposits and loans to receive | | | | | | | | | | |
| - long positions | - | 73,708 | - | - | - | - | - | - | - | - |
| - short positions | - | 73,708 | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - long positions | - | 35 | - | - | - | - | - | - | - | - |
| - short positions | - | 35 | - | - | - | - | - | - | - | - |
| C.5 Financial guarantees issued | - | - | - | - | - | - | - | - | - | - |
| C.6 Financial guarantees received | - | - | - | - | - | - | - | - | - | - |
| C.7 Credit derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |
| C.8 Credit derivatives without exchange of principal | | | | | | | | | | |
| - long positions | - | - | - | - | - | - | - | - | - | - |
| - short positions | - | - | - | - | - | - | - | - | - | - |

## SECTION 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.

The various types of operational risk to which the Bank is structurally exposed therefore 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 Bank is subject.

The organizational model adopted by the Bank within the Group to manage and monitor operational risks is structured into two levels:

- at the Parent Company, the Operational & IT Risk Management unit has been established, reporting to Group Risk Management within the CRO area, which is responsible for operational and IT risks and is charged with:
  - responsibility for policy-making and coordinating risk management activities for the Iccrea Mutual Banking Group concerning operational and IT risks. This unit operates as a specialist hub for this area;
  - responsibility for supporting the Risk Management functions of the direct scope subsidiaries and, through the Mutual Bank Risk Management Coordination unit, the risk management functions of the affiliated banks;
- at the affiliated banks and direct scope subsidiaries, the Risk Management units report to their boards of directors and are responsible, among other duties, for monitoring and managing developments in the exposure to operational risks.

The methodological aspects underlying the management framework and the related methods of application to the Group companies were formalized and approved at the end of 2019, and updated in 2020, as part of specific Group policies (Operational Risk Management Framework, IT Risk Management Framework, Loss Data Collection, Operational Risk Self-Assessment and IT Risk Self-Assessment).

This framework has been developed in accordance with the typical phases of the operational risk management process, namely:

- identification of risks (knowledge): a set of activities directed at identifying operational 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 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 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 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 and IT risks, 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 and IT risks, implement actions to prevent the occurrence of adverse events and to attenuate the effects of events related to operational risks, and to constantly monitor the results of the activities performed. This phase concerns the management of operational 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 loss data collection process has currently been adopted by Iccrea Banca and 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 (IR-SA), the identification and assessment of prospective risks have been initiated and conducted for certain companies within the direct scope, and continued in 2022 in respect of the affiliated banks. In 2022, the development of the related application system also continued to support operational and IT risk management.

With specific reference to IT risk, March 2022 saw the finalization of the annual IT risk profile assessment of Iccrea Banca and BCC Sistemi Informatici, which is the prime supplier of ICT services to the Bank.

As in the previous year, 2022 also saw a specific training effort for the Operational Risk Management framework, with specific attention being paid to operating approaches and support applications.

The Parent Company's Operational Risk Management function also supported the collection of operational loss events at the Group level for management reporting use and for QIS and COREP regulatory reporting purposes, and contributed in its areas of responsibility to the performance of the stress tests envisaged as part of the ICAAP.

With regard to the monitoring activities of the Incident Management Process, significant incidents were monitored continuously, from the time of their occurrence until closure of the incident, with the performance of assessment activities in the event of incidents with specific characteristics or for which particular risk factors were identified. Specific periodic reporting is prepared for these activities.

## QUANTITATIVE DISCLOSURES

As provided for in Circular no. 285/2013 of the Bank of Italy as updated, for reporting purposes the Bank 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 the Bank is "gross income". In particular, the Bank's capital requirement, equal to 15% of the average of the last three observations of gross income at the end of the previous year (December 31, 2023), amounted to €81,794 thousand.

| RELEVANT INDICATOR | VALUE |
|---|---|
| - at December 31, 2023 | 545,180 |
| - at December 31, 2022 | 490,325 |
| - at December 31, 2021 | 600,374 |
| **Relevant indicator average** | **545,293** |
| **Regulatory coefficient** | **15%** |
| **Capital requirement** | **81,794** |

# PART F - INFORMATION ON CAPITAL

## SECTION 1 - COMPANY CAPITAL

### A. QUALITATIVE DISCLOSURES

Shareholders' equity (share capital, share premium reserve, reserves, equity instruments, own shares, valuation reserves, redeemable shares, profit/loss for the period) represents the Bank's capital, i.e. the sum of financial resources used for achieving the corporate purpose and dealing with the risks of business. Therefore, equity represents the main safeguard against the risks of the banking business and, as such, the amount of capital must be sufficient to ensure an appropriate degree of independence in development and growth and guarantee the soundness and stability of the company on an ongoing basis.

### B. QUANTITATIVE DISCLOSURES

#### B.1 COMPANY CAPITAL: COMPOSITION

| | Amount 31/12/2023 | Amount 31/12/2022 |
|---|---|---|
| 1. Share capital | 1,401,045 | 1,401,045 |
| 2. Share premium reserve | 6,081 | 6,081 |
| 3. Reserves | 682,588 | 236,491 |
| - earnings | 682,588 | 236,491 |
| a) legal | 100,082 | 56,102 |
| b) established in bylaws | 205 | 205 |
| c) treasury shares | - | - |
| d) other | 582,301 | 180,184 |
| - other | - | - |
| 4. Equity instruments | | |
| 5. (Treasury shares) | - | - |
| 6. Valuation reserves: | 51,464 | 18,548 |
| - Equity securities designated as at fair value through other comprehensive income | 9,473 | 1,517 |
| - 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 | (2,947) | (10,941) |
| - Property, plant and equipment | - | - |
| - Intangible assets | - | - |
| - Hedging of investments in foreign operations | - | - |
| - Cash flow hedges | (4,990) | (22,460) |
| - 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 | (2,134) | (1,629) |
| - Share of valuation reserves of equity investments accounted for using equity method | - | - |
| - Special revaluation laws | 52,062 | 52,062 |
| 7. Net profit (loss) for the period | 87,920 | 439,793 |
| **Total** | **2,229,099** | **2,101,960** |

## B.2 - VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

| | Total 31/12/2023 | | Total 31/12/2022 | |
|---|---|---|---|---|
| | Positive reserve | Negative reserve | Positive reserve | Negative reserve |
| 1. Debt securities | 3,432 | 6,379 | 1,289 | 12,231 |
| 2. Equity securities | 10,806 | 1,332 | 6,375 | 4,858 |
| 3. Loans | - | - | - | - |
| **Total** | **14,238** | **7,711** | **7,664** | **17,088** |

## 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** | **(10,941)** | **1,517** | **-** |
| **2. Increases** | **18,514** | **7,958** | **-** |
| 2.1 Fair value gains | 12,373 | 7,958 | - |
| 2.2 Writedowns for credit risk | - | X | - |
| 2.3 Reversal to income statement of negative reserves: from realization | 6,141 | X | - |
| 2.4 Transfers to other components of shareholders’ equity (equity securities) | - | - | - |
| 2.5 Other changes | - | - | - |
| **3. Decreases** | **10,519** | **2** | **-** |
| 3.1 Fair value losses | 10,292 | 2 | - |
| 3.2 Writebacks for credit risk | 69 | - | - |
| 3.3 Reversal to income statement of positive reserves: from realization | 157 | X | - |
| 3.4 Transfers to other components of shareholders’ equity (equity securities) | - | - | - |
| 3.5 Other changes | - | - | - |
| **4. Closing balance** | **(2,947)** | **9,473** | **-** |

## B.4 - VALUATION RESERVES FOR DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

| | 31/12/2023 |
|---|---|
| **1. Opening balance** | **(1,629)** |
| **2. Increases** | **-** |
| 2.1 Actuarial gain from change in financial assumptions | - |
| 2.2 Actuarial gain from change in demographic assumptions | - |
| 2.3 Actuarial gains from experience adjustments | - |
| 2.4 Other changes | - |
| | - |
| **3. Decreases** | **221** |
| 3.1 Actuarial loss from change in financial assumptions | 221 |
| 3.2 Actuarial loss from change in demographic assumptions | - |
| 3.3 Actuarial losses from experience adjustments | - |
| 3.4 Other changes | - |
| | - |
| **4. Tax effect** | **(298)** |
| **5. Closing balance** | **(2,134)** |

## 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

The section was not completed as 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 2023 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 Bank's activities, including the directors and members of the supervisory bodies.

| | Total 31/12/2023 | | | | |
|---|---|---|---|---|---|
| | Short term benefits | Post-employment benefits | Other long-term benefits | Termination benefits | Share-based payments |
| Key management personnel | 7,295 | 239 | - | - | - |

The item "short-term benefits" includes wages, salaries, benefits and remuneration of key management personnel (also includes directors and members of control bodies).

The item "post-employment benefits" includes, among other things, the provision/revaluation of the severance pay (TFR) left in the company-managed fund, severance pay paid into the National Pension Fund for mutual bank employees (or other external funds) and the portions paid by the company in contributions to the National Pension Fund for mutual bank employees (or other external funds).

## 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;

a) a person or close family member of that person is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has a significant influence over the reporting entity;

iii. or is one of the key management personnel of the reporting entity or one of its parent companies.

b) an entity is related to a reporting entity if any of the following conditions apply:

i. the entity and the reporting entity are part of the same group (which means that each parent, subsidiary and group company is related to the others);

ii. an entity is an associated or joint venture of the other entity (or an associate or joint venture belonging to the group to which the other entity belongs);

iii. both entities are joint ventures of the same third party;

iv. an entity is a joint venture of a third-party entity and the other entity is an associate of the third-party entity;

v. the entity is represented by a post-employment benefit plan for the employees of the reporting entity or an entity related to it. If the reporting entity is itself a plan of this type, the employers who sponsor it are also related to the reporting entity;

vi. the entity is controlled or jointly controlled by a person identified in point (a);

vii. a person identified in point (a)(i) has a significant influence over the entity or is one of the key management personnel of the entity (or its parent);

viii. the entity, or any member of a group to which it belongs, provides management services with strategic responsibilities to the reporting entity or to the parent company of the reporting entity.

Notwithstanding points (vi) and (vii) above, paragraph 11 of IAS 24 warns that two entities are not necessarily related parties simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity. The director (or member of key management personnel) must be exert control or significant influence (as defined below) over the two companies and consequently the relationship between the two entities. This principle also holds in the case of companies controlled or subject to significant influence by close family members of directors.

Close members of the family of a person are considered to be those family members who are expected to influence, or be influenced by, that person in their dealings with the entity, including:

a) that person's children and spouse or domestic partner;
b) the children of that person's spouse or partner; and
c) dependents of that person or that person's spouse or domestic partner.

Based on the amendments made with Regulation (EU) no. 1174/2013, the terms "control", "investment entity", "joint control" and "significant influence" are defined in IFRS 10 ("Consolidated Financial Statements"), IFRS 11 ("Joint Arrangements "), IAS 27 ("Separate Financial Statements) and IAS 28 ("Investments in Associates and Joint Ventures") and are used in this standard with the meanings specified in these IFRS.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Paragraphs 18 and 19 of IAS 24 specify what disclosures shall be provided on transactions and the categories of related party into which they can classified. Paragraph 24 of IAS 24 adds that "items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity".

The following tables follow these directives and, with specific regard to the nature of the relationships, assuming that they are ordinary banking operations, break down information for balance sheet relationships (assets, liabilities, guarantees and commitments, doubtful positions) and income statement relationships (interest, dividends, commissions, etc.).

As regards the disclosures required by paragraph 18 of IAS 24 concerning the nature, terms and conditions of transactions with related parties, it has been assumed that these are transactions of a banking nature, not atypical or unusual and were carried out on market terms between independent parties. In other cases, the mutual bank shall provide appropriate disclosure in this regard.

The following table summarizes the financial effects of transactions with the related parties of the Bank.

| | At: 31/12/2023 | | | |
|---|---|---|---|---|
| | **Subsidiaries** | **Associated companies** | **Key management personnel** | **Other related parties** |
| Financial assets | 32,553,377 | 269,369 | - | - |
| Total other assets | 110,157 | - | - | - |
| Financial liabilities | 18,381,438 | 223,842 | - | - |
| Total other liabilities | 76,499 | - | - | - |
| Commitments and financial guarantees issued | 8,112,807 | 108,211 | - | - |
| Commitments and financial guarantees received | 81,742 | - | - | - |
| Provisions for doubtful loans | - | - | - | - |

| | At: 31/12/2023 | | | |
|---|---|---|---|---|
| | Subsidiaries | Associated companies | Key management personnel | Other related parties |
| Interest income | 1,075,558 | - | - | - |
| Interest expense | (407,123) | (3,481) | - | - |
| Dividends | 128,608 | - | - | - |
| Fee and commission income | 278,185 | 293,801 | - | - |
| Fee and commission expense | (326,644) | (215,464) | (7,534) | - |
| Other operating expenses/income | 69,910 | - | - | - |
| Net gain (loss) on trading activities | 256,716 | - | - | - |
| Net gain (loss) on hedging activities | - | - | - | - |
| Writedowns/writebacks of impaired financial assets | - | - | - | - |

The items “fee and commission income” and “ fee and commission expense” include the effect of the promotion-distribution agreements for BCC Pay products and services between the Bank and the Group’s mutual banks, following the initiative undertaken during the year for the repositioning of the Group’s e-money operations.

# PART I - SHARE-BASED PAYMENTS

The section has not been completed because there were no such positions as of the reporting date.

# PART L - OPERATING SEGMENTS

Exercising of the option granted by IFRS 8, segment information is presented solely with regard to the consolidated financial statements.

# PART M - LEASE DISCLOSURES

## SECTION 1 – LESSEE

### QUALITATIVE DISCLOSURES

Iccrea Banca's leases essentially regard property and car leases.

At December 31, 2023, the Bank held 221 leases, of which 23 relating to property leasing, and 198 relating to cars for total right-of-use assets of €2,096 thousand.

The properties are mostly used for banking and general management activities. Based on historical experience, the Bank includes the first lease extension in computing the lease term, in addition to the non-cancellable period, if renewal depends exclusively on the lessee. Therefore, both at the date of FTA and upon initial recognition of a contract under IFRS 16, the first reasonably certain lease extension has been considered, unless there is effective evidence of relevant facts and circumstances that would counsel a different assessment. Therefore, in the case of a lease for property with a term of 6 years and a tacit renewal option at the end of the first six-year period, the term considered in determining the useful life of the right of use is 12 years, unless there are facts or circumstances that suggest a different assessment.

Car leases regard contracts for cars assigned to employees for business use. These contracts usually come in the form of "long-term rentals", and are therefore have a multi-year term and usually do not include a final purchase option.

As already indicated in the accounting policies, the Group has elected to exercise the exemptions permitted by IFRS 16 for short-term leases (term of less than or equal to 12 months) and low-value leases (where the value of the asset is less than or equal to €5,000).

### QUANTITATIVE DISCLOSURES

Part B of the notes to the financial statements reports right-of-use assets acquired with leases in the amount of €2,096 thousand (Table 8.1 – Operating property, plant and equipment: composition of assets carried at cost); with leases liabilities of €2,110 thousand reported in Table 1.2 - Financial liabilities measured at amortized cost: composition of amounts due to customers.

Part C Income statement reports interest in respect of lease liabilities of about €54 thousand (Table 1.3 Interest and similar expense, Financial liabilities measured at amortized cost: amounts due to customers).

The following table breaks down depreciation charges (reported in Table 12.1 on the income statement) for right-of-use assets into the various categories.

The right of use relating to leased assets (rental of properties and cars) has been recognized under the sub-item "Assets acquired under finance leases" as required by IFRS 16.

| | Property | Automobiles | Total 2023 | Total 2022 |
|---|---|---|---|---|
| Initial value | 245 | 2,056 | 2,300 | 4,073 |
| Purchases | 497 | 486 | 983 | 243 |
| Other changes | 450 | - | 450 | (70) |
| Depreciation | (447) | (1,191) | (1,638) | (1,945) |
| - of which: sales | | | | -10 |
| **Assets acquired under financial lease** | **745** | **1,351** | **2,096** | **2,300** |
| Value assets held for sale | | | - | - |
| **Total** | **745** | **1351** | **2,096** | **2,300** |

## SECTION 2 – LESSOR

The section has not been completed because there were no such positions as of the reporting date.

# ATTACHMENTS - ACCOUNTS OF THE GUARANTEE SCHEME

## DOCUMENT OBJECTIVE

Under the provisions of the Guarantee Scheme, which is governed by legislation and the Cohesion Contract, each bank participating in the Iccrea Mutual Banking Group has paid in a guarantee contribution - commensurate with its risk-weighted exposures and limited to capital in excess of the mandatory requirements at the individual level - in order to give the Parent Company readily available funds (RAFs) to undertake financial support interventions to ensure the solvency and liquidity of the individual affiliated banks.

The RAFs are represented by:

- an Ex Ante Quota established at the Parent Company through loans for a specific transaction pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code; and
- an Ex Post Quota that can be called up by the Parent Company in case of need, established with an irrevocable commitment of the affiliated banks to the Parent Company.

The objective of this document is to present the separate accounts of the loan for a specific transaction and to report on the overall management of the funds underlying the operation of the Guarantee Scheme (Ex Ante Quota and Ex Post Quota) for 2023, consistent with the provisions of Article 6.3[55] of the Cohesion Contract and Article 4.3[56] of the Loan Agreement[57].

### Contribution to the Guarantee Scheme

In order to guarantee that the Parent Company has ready access to the financial resources necessary to implement guarantee interventions, in April 2019 the participating banks established the readily available funds (RAF), represented by an Ex Ante Quota pre-established at the Parent Company and an Ex Post Quota that can be called up by the Parent Company in case of need, making contributions in the technical forms provided for in the Cohesion Contract.

The Cohesion Contract provides for the Group to conduct annual stress tests of the participating banks to quantify their potential capital requirements in an adverse scenario and verify the necessary volume of Group funds. The figures for the RAF for 2023 revealed a potential capital requirement of €646 million, broken down as follows:

- Aggregate Ex Ante Quota €323 million (€338 million for 2022);
- Aggregate Ex Post Quota €323 million (€313 million for 2022).

As regards the adjustment of the Ex Ante Quota, the adjustment mechanism considers the effective availability of funds at the date of updating on the basis of the following information:

- an estimated of the Ex Ante Quota of the Bank for 2023;
- the fair value at December 31, 2022 of the loan disbursed by the Bank;
- the fair value of amounts of the share attributed to the Bank for support interventions conducted up to December 31, 2022.

The greater or lesser amount to be adjusted was calculated, for each participating bank, by subtracting from the amount of the Ex Ante Quota due the fair value of the loan at the end of 2022 and adding any intervention amounts attributed to that bank.

Consequently, the Parent Company requested a total of €29,419,767, from the participating banks, equal to the difference between the Ex Ante Quota for 2023 (€323,095,441) and the fair value of the loan (€429,066,710), net of the fair value of the support interventions carried out (€135,391,037) at December 31, 2022.

[55] "Within the context of the operation of the Guarantee Agreement the Parent Company shall prepare at least annually a periodic report on the participation of the affiliated banks in the Guarantee Agreement and in the formation of the Ex Ante Funds and the Ex Post Funds".

[56] "…monitoring of the execution of the Transaction shall be performed by the Lending Parties on the basis of the disclosures and reporting periodically made available by the Beneficiary, also pursuant to the provisions of the Cohesion Contract".

[57] The Loan Agreement was signed by the affiliated banks, as the Lending Parties, and by the Parent Company, as the Beneficiary, in order to create the loan for a specific transaction referred to in Articles 2447-bis, letter b) and 2447-decies of the Civil Code.

The settlement of the Ex Ante Quotas was implemented in the first quarter of 2023 with value date 01/01/2023 by:

- debiting the settlement accounts of 107 affiliates in the total amount of €26,497,628 and the adjustment of the amount attributable to the Parent Company by €3,817,750 by means of a cash payment to the PM account dedicated to the Guarantee Scheme at the Bank of Italy;
- crediting the settlement accounts of 11 affiliates in the total amount of €895,611.

For Ex Post Quotas, the model for calculating the adjustment envisages subtracting, for each affiliated bank, the value of the quota outstanding at the end of the previous year from the amount of the Ex Post Quota for the current year. The application of the mechanism led to an increase in the overall Ex Post Quota of €9,872,031 compared with 2022. The adjustment process was completed within the first quarter of 2023 through:

- the adjustment by the affiliated mutual banks of the credit line granted to the Parent Company;
- the adjustment by the Parent Company of the secured GS lines granted to the affiliates;
- the adjustment by the affiliated mutual banks of the securities pledged as collateral in the account associated with the secured GS line.

### Interventions of the Guarantee Scheme

In compliance with the provisions of the applicable legislation, the Cohesion Contract establishes that the Intercompany Support Interventions (hereafter interventions) necessary to ensure the solvency and liquidity of the individual participating banks shall be carried out by the Parent Company.

The interventions may consist of:

- capital support interventions to be carried out through capitalization measures (including the subscription of financing shares pursuant to Article 150-ter of the Consolidated Banking Act through the Ex Ante Quota of the RAFs);
- liquidity support interventions to be carried out through financing measures in support of liquidity (for example, financing transactions with appropriately defined maturity or securities lending);
- interventions in any other technical form deemed appropriate by the Parent Company.

Capital support interventions drawing on the Ex Ante resources of the RAFs, are attributed on a pro-rated basis to each mutual bank,[58] in accordance with the “Accounting and prudential model for the Cross-Guarantee Scheme”.[59] The share of each affiliated bank in the intervention is:

- recognized in the accounts as indirect financing in a subordinated debt or equity instrument on the basis of the capital instrument issued by the beneficiary bank;
- deducted, for prudential purposes, from the component of own funds of each participating bank consistent with the type of intervention carried out at the beneficiary bank.

In 2023, the Guarantee Scheme has conducted only one capital support intervention drawing on the Ex Ante resources, by subscription of shares ex Article 150-ter, for an amount of €2,449,996, in favor of Banca Centropadana (third tranche of the intervention by subscription of financing shares pursuant to Article 150-ter of the Consolidated Banking Act).

On November 27, 2023, Banca Terre Etrusche di Valdichiana e di Maremma repurchased and cancelled €2,000,000 in shares ex Article 150-ter subscribed as part of the capital support intervention of the Cross-Guarantee Scheme, for a total amount of €35 million, conducted on May 26, 2021 in favor of former Banca Valdichiana (merged into Banca Terre Etrusche di Valdichiana e di Maremma on July 26, 2021). Capital support interventions carried out by the Guarantee Scheme totaled about €139 million (nominal amount).

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[58] In accordance with the “Guarantee Scheme Policy” the beneficiaries of an intervention and banks with a free capital buffer of less than 30 bp (the technical capacity margin provided for in the allotment of guarantee obligations) are excluded from the allotment of the support, with the consequent reallocation of the amount due to the other participating banks that had capital capacity available.

[59] See Direttiva di Indirizzo e Coordinamento ICR-OUT-0291-2019-DIR del 9/4/2019 “Corpus documentale che regola il funzionamento dello Schema delle Garanzie Incrociate”.

| ISIN / Internal code | Instrument[60] | Beneficiary mutual bank | Subscription date | Nominal amount | Details |
|---|---|---|---|---|---|
| IT0005397010 | sub. T2 loan | Vival Banca | 30/12/2019 | 8,000,000 | Term 10 years - rate 4.25% |
| IT0005395634 | sub. T2 loan | Banca Centropadana | 16/12/2019 | 5,000,000 | Term 7 years - fixed rate 3% |
| IT0005395626 | sub. T2 loan | Banca Centropadana | 16/12/2019 | 10,000,000 | Term 10 years - fixed rate 3% |
| BVALDICH8489 | Art. 150-ter shares | Banca Valdichiana | 26/05/2021 | 33,000,000 | PV share 25.00 - no. shares 1,400,000 |
| BCENTROP8324 | Art. 150-ter shares | Banca Centropadana | 23/06/2021 | 13,200,010 | PV share 25.82 - no. shares 511,232 |
| BPISAFOR8562 | Art. 150-ter shares | Banca di Pisa e Fornacette | 29/09/2021 | 19,000,032 | PV share 69.65 - no. shares 272,793 |
| VIVALBAN8003 | Art. 150-ter shares | Vival Banca | 29/09/2021 | 15,999,999 | PV share 25.80 - no. shares 620,155 |
| MASSAFRA7094 | Art. 150-ter shares | BCC di Massafra | 02/11/2021 | 1,300,000 | PV share 50.00 - no. shares 26,000 |
| BCENTROP8324 | Art. 150-ter shares | Banca Centropadana | 27/04/2022 | 6,999,983 | - PV share 25.82 - no. shares 271,107 |
| BPISAFOR8562 | Art. 150-ter shares | Banca di Pisa e Fornacette | 08/03/2022 | 20,999,963 | - PV share 69.65 - no. shares 301,507 |
| IT0005519043 | Additional Tier1 | Vival Banca | 11/11/2022 | 3,000,000 | - Not redeemable - Fixed rate 5% |
| BCENTROP8324 | Art. 150-ter shares | Banca Centropadana | 16/05/2023 | 2,499,996 | - PV share 25.82 - no. shares 96,824 |
| **Total** | | | | **138,999,982** | |

Moreover, on June 1, 2023, the Guarantee Scheme conducted one capital support intervention totaling €100 million, funded from available resources from the Ex Post Quota of the RAFs, in favor of Banca di Pisa e Fornacette Credito Cooperativo - Società Cooperativa per azioni, in the form of an unsecured interest-bearing bullet loan.[61]

### Investment of the Ex Ante Quota of the RAFs

Pursuant to Article 5 of the Loan Agreement, the Parent Company invests the Ex Ante funds in liquid and enforceable assets, in accordance with the prescriptions, limits and requirements set out in the Investment Policy for the Ex Ante Quota of the RAFs.[62]

Bearing in mind the purpose of the Guarantee Scheme, i.e. the prompt implementation of guarantee interventions in order to safeguard the solvency and liquidity of the participating banks, the primary objective in managing the financial resources of the Scheme lies in the conservation of invested capital. Accordingly, eligible investments include euro-area government securities, supranational securities, covered bonds, ABS and deposits with the Eurosystem and financial derivatives for hedging purposes only, connected with the exercise of the fair value option, and more generally debt instruments having a yield to maturity at the time of purchase not lower than the interest rate on overnight deposits set by the European Central Bank.

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[60] On the basis of the "mark to model" valuations, in accordance with the method envisaged in the Parent Company's fair value policy, the tables below report the prices at the end-2023 of:

- T2 subordinated loans:

| ISIN | Issue | Mark to model prices |
|---|---|---|
| IT0005397010 | Vival Banca | 98.192 |
| IT0005395634 | Banca Centropadana | 97.120 |
| IT0005395626 | Banca Centropadana | 97.120 |

- per lo strumento aggiuntivo di classe 1 – Additional Tier1 - AT1:

| ISIN | Issue | Mark to model prices |
|---|---|---|
| IT0005519043 | Vival Banca | 85.206 |

At December 31, 2023, no change in value was registered for the shares issued under Article 150-ter of the Consolidated Banking Act as part of the quarterly estimation of the interventions funded by the Guarantee Scheme. Accordingly, the participating banks were not required to adjust the fair value at that date.

[61] See Direttiva di Indirizzo e Coordinamento ICR-OUT-000623-2023-DIR del 29/05/2023 "Attivazione dello Schema delle Garanzie Incrociate - Intervento di sostegno di liquidità nei confronti della Banca di Pisa e Fornacette Credito Cooperativo".

[62] The Investment Policy for the Ex Ante Quota of the RAFs is part of the documentation of the Guarantee Scheme, approved by the Board of Directors of the Parent Company on February 28, 2019. The Investment Policy was subsequently amended by the Board of Directors of on June 24, 2021.

The following table shows the details of the investments at December 31, 2023:

| **Country** | **31/12/2023** | **31/12/2022** |
|---|---|---|
| Austria | - | 1,018,322 |
| Belgium | 36,362,100 | 9,486,419 |
| Finland | - | 1,232,085 |
| France | 93,181,665 | 40,053,015 |
| Germany | - | 29,305,143 |
| Ireland | - | - |
| Italy | 93,283,077 | 73,820,617 |
| Netherlands | - | 2,103,292 |
| Supranational | - | 25,858,495 |
| Spain | 92,961,000 | 56,474,230 |
| Covered bonds | - | 10,523,003 |
| Liquidity | 15,504,757 | 43,753,901 |
| **Total** | **331,292,599** | **293,628,522** |

## Value of the transaction

Pursuant to Article 3 of the Loan Agreement, the Loan is intended exclusively for the implementation of the transaction,[63] which has the purpose of establishing and managing the Ex Ante Quota of the Readily Available Funds in order to implement guarantee interventions to safeguard the solvency and liquidity of the affiliated banks.

On a quarterly basis, the Parent Company determines the fair value of the transaction as a result of the overall performance of the resources invested and deployed and periodically notifies the individual mutual banks of the value of their contribution to the specific transaction, equal to the pro-rated share of the total.

| | **31/12/2023** | **31/12/2022** |
|---|---|---|
| Investment of Ex Ante Quota | 331,292,599 | 293,628,522 |
| Subordinated instruments subscribed as part of interventions: | 22,612,818 | 20,948,080 |
| *- Centropadana* | *14,586,461* | *13,559,377* |
| *- VivalBanca* | *8,026,358* | *7,388,703* |
| Shares ex Article 150-ter subscribed as part of interventions: | 112,999,983 | 112,499,987 |
| *- Valdichiana* | *33,000,000* | *35,000,000* |
| *- Centropadana* | *22,699,988* | *20,199,993* |
| *- Pisa e Fornacette* | *39,999,995* | *39,999,995* |
| *- VivalBanca* | *15,999,999* | *15,999,999* |
| *- Massafra* | *1,300,000* | *1,300,000* |
| Irredeemable AT1 instruments subscribed as part of interventions: | 2,556,194 | 1,962,448 |
| *- VivalBanca* | *2,556,194* | *1,962,448* |
| Other assets | 119 | 27,674 |
| **Total** | **469,461,714** | **429,066,712** |

Pursuant to Article 4.1 of the Loan Agreement, the revenues of the transaction consist of the investment yields[64] and the returns deriving from the implementation of the interventions. Costs are made up of management costs and possible losses deriving from the transaction and investments.

Pursuant to Article 12 of the Loan Agreement, the Parent Company pays the affiliated banks remuneration related to developments in the transaction and investment activities on the basis of the adjustments to the fair value of the loan and the accounting effects of the interventions undertaken by the Parent Company.

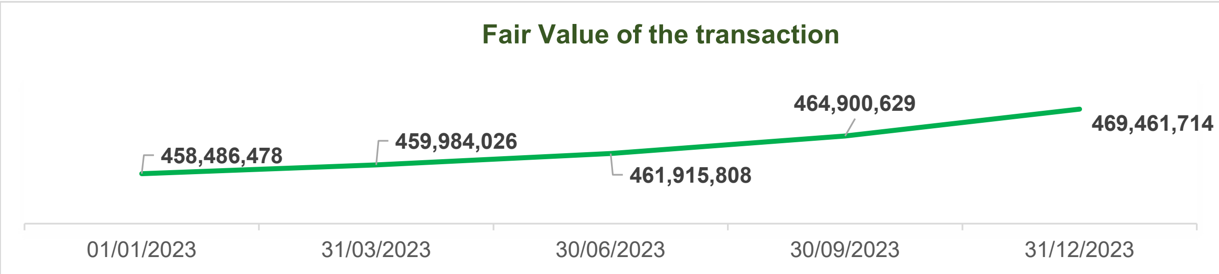
[63] See Article 4.1 of the Loan Agreement "Description of the transaction".

[64] See Article 5 of the Loan Agreement.

The following table provides a breakdown of the fair value notified periodically in 2023 and the associated changes with respect to the fair value of the transaction at January 1, 2023:

| Reference date | Fair value | Change in fair value since January 1, 2023[65] |
|---|---|---|
| 01/01/2023 | 458,486,478 | - |
| 31/03/2023 | 459,984,026 | 1,497,548 |
| 30/06/2023 | 461,915,808 | 3,429,330 |
| 30/09/2023 | 464,900,629 | 6,414,151 |
| 31/12/2023 | 469,461,714 | 10,975,236 |

Developments in the value of the transaction are indicated below:




The quarterly change in the fair value of the transaction was attributed on a pro-rated basis to each affiliated bank and the Parent Company on the basis of their participation in the Ex Ante quota of the Guarantee Scheme in accordance with the model used by the Parent Company for the managing the separate accounts of the loan.[66]

The following table shows all the components that determined the change in the overall fair value of the investments at December 31, 2023.

| | 31/12/2023 |
|---|---|
| Interest and similar income | 6.255.467 |
| Interest and similar expense | - |
| **Net interest income** | **6.255.467** |
| Fee and commission income | 4 |
| Fee and commission expense | (20.601) |
| **Net fee and commission income (expense)** | **(20.597)** |
| Net gain (loss) on financial assets and liabilities measured at fair value | 4.740.366 |
| **Gross income** | **10.975.236** |
| Other operating expenses/income | - |
| **Overall performance of GS** | **10.975.236** |

See the following section for a breakdown of the individual items.

[65] With a reference date of 31/03/2023 the notice was transmitted to the affiliated banks on April 13, 2023 with Comunicazione di Indirizzo e Coordinamento Prot. ICR-OUT- 000203-2023-DG “Comunicazione periodica in merito alla gestione operativa dello Schema delle Garanzie Incrociate (SdG) - data di riferimento 31/03/2023”.

With a reference date of 30/06/2023 the notice was transmitted to the affiliated banks on July 12, 2023 with Comunicazione di Indirizzo e Coordinamento Prot. ICR-OUT- 000872-2023-DG “Comunicazione periodica in merito alla gestione operativa dello Schema delle Garanzie Incrociate (SdG) - data di riferimento 30/06/2023”.

With a reference date of 30/09/2023 the notice was transmitted to the affiliated banks on October 9. 2023 with Comunicazione di Indirizzo e Coordinamento Prot. ICR-OUT- 0001026-2022-DG “Comunicazione periodica in merito alla gestione operativa dello Schema delle Garanzie Incrociate (SdG) - data di riferimento 30/09/2023”.

With a reference date of 31/12/2023 the notice was transmitted to the affiliated banks on January 10, 2024 with Comunicazione di Indirizzo e Coordinamento Prot. ICR-OUT-000002-2024-DG “Comunicazione periodica in merito alla gestione operativa dello Schema delle Garanzie Incrociate (SdG) - data di riferimento 31/12/2023”.

[66] The model provides for all financial components that affect the financial statements of Iccrea Banca in relation to the management of the funds relating to the transaction, whether generated by valuation or income and charges connected with the management of the funds, to be offset in profit or loss by an item of the opposite sign in order to attribute to the providers of the financing with the net result of the overall management of the funds during the period in question.

## Accounts of the loan for a specific transaction

The rules governing the loan for a specific transaction require the adoption of dedicated/separate accounts that ensure the segregation and the separation of income and all other amounts generated by the investment of the liquidity of the loan from the resources of the Parent Company and the companies of the Group.

The model used by the Parent Company to manage the separate accounts of the loan provides for all financial components that affect the financial statements of Iccrea Banca in relation to the management of the funds relating to the transaction, whether generated by valuation or income and charges connected to the management of the funds to be offset in profit or loss by an item of the opposite sign in order to provide the providers of the financing with the net proceeds of the overall management of the funds during the period in question.

## Balance sheet – Assets

The tables are presented in euros.

| **Assets** | **31/12/2023** | **31/12/2022** |
|---|---|---|
| 10. Cash and cash equivalents | 15,504,757 | 43,753,901 |
| 20. Financial assets measured at fair value through profit or loss | 340,956,855 | 272,785,150 |
| *b) financial assets designated as at fair value* | *338,400,661* | *270.822.702* |
| *c) other financial assets mandatorily measured at FV* | *2,556,194* | *1.962.448* |
| 70. Equity investments | 112,999,983 | 112,499,987 |
| 120. Other | 119 | 27,674 |
| **Total assets** | **469,461,714** | **429,066,712** |

Cash and cash equivalents

The amounts regard resources not invested in securities and held on the account of the Guarantee Scheme at the Bank of Italy (€13,934,426) and Euroclear (€1,570,331).

Financial assets measured at fair value

Assets measured at fair value regard financial instruments subscribed by the Parent Company in accordance with the Investment Policy for the Ex Ante Quota of the readily available funds. The following table provides a breakdown of the financial instruments subscribed:

| **Country** | **31/12/2023** | **31/12/2022** |
|---|---|---|
| Austria | - | 1,018,322 |
| Belgium | 36,362,100 | 9,486,419 |
| Finland | - | 1,232,085 |
| France | 93,181,665 | 40,053,015 |
| Germany | - | 29,305,143 |
| Ireland | - | - |
| Italy | 93,283,077 | 73,820,617 |
| Netherlands | - | 2,103,292 |
| Supranational | - | 25,858,495 |
| Spain | 92,961,000 | 56,474,230 |
| Covered bonds | - | 10,523,003 |
| Subordinated bonds subscribed as part of interventions: | 22,612,818 | 20,948,080 |
| *- Centropadana* | *14,586,461* | *13,559,377* |
| *- VivalBanca* | *8,026,358* | *7,388,703* |
| Irredeemable AT1 instrument: | 2,556,194 | 1,962,448 |
| *- VivalBanca* | *2,556,194* | *1,962,448* |
| **Total** | **340,956,855** | **272,785,150** |

Equity investments

The amount regards Article 150-ter shares subscribed by the Parent Company for capital support interventions:

| Equity investment | 31/12/2023 | 31/12/2022 |
|---|---|---|
| Valdichiana | 33,000,000 | 35,000,000 |
| Centropadana | 22,699,989 | 20,199,993 |
| Pisa e Fornacette | 39,999,995 | 39,999,995 |
| VivalBanca | 15,999,999 | 15,999,999 |
| Massafra | 1,300,000 | 1,300,000 |
| **Total** | **112,999,983** | **112,499,987** |

Compared with 2022, equity investments increased by €499,996, reflecting these offsetting transactions:

- third tranche of the intervention at Banca Centropadana with the subscription of shares pursuant to Art. 150-ter of the Consolidated Banking Act for €2,449,996;
- partial repurchase by Banca Terre Etrusche di Valdichiana e di Maremma of €2,000,000 of shares pursuant to Art. 150-ter of the Consolidated Banking Act, of the total of €35 million issued on May 26, 2021, by former Banca Valdichiana (merged into Banca Terre Etrusche di Valdichiana e di Maremma on July 26, 2021).

Other assets

The item includes the interest paid with value date of December 31, 2023 but that will be recognized under "cash and cash equivalents" (item 10) after the close of the year.

## Balance sheet – liabilities

The tables are presented in euros.

| Liabilities | 31/12/2023 | 31/12/2022 |
|---|---|---|
| 30. Financial liabilities designated as at fair value | 387,148,184 | 352,483,759 |
| 80. Other liabilities | 82,313,530 | 76,582,953 |
| **Total liabilities** | **469,461,714** | **429,066,712** |

Financial liabilities designated as at fair value

The item includes the Ex Ante Quota of the affiliated banks (€273.65 million), adjusted to account for the performance of the dedicated loan at December 31, 2023, and the fair value of the indirect financing in i) irredeemable instruments (AT1) issued by VivalBanca, ii) subordinated debt securities issued by Banca Centropadana and VivalBanca and iii) equity instruments issued by Banca Valdichiana, Banca Centropadana, BCC di Pisa e Fornacette, VivalBanca and BCC Massafra, iv) repayment of Art. 150-ter shares by Banca Terre Etrusche di Valdichiana e di Maremma (totaling €113.50 million).

Other liabilities

Other liabilities regard the Ex Ante Quota pertaining to the Parent Company (€57.83 million), adjusted to account for the performance of the dedicated loan at December 31, 2023 and the indirect financing in i) irredeemable instruments (AT1) issued by VivalBanca, ii) subordinated debt securities issued by Banca Centropadana and VivalBanca and iii) equity instruments issued by Banca Valdichiana, Banca Centropadana, BCC di Pisa e Fornacette, VivalBanca and BCC Massafra, iv) repayment of Art. 150-ter shares by Banca Terre Etrusche di Valdichiana e di Maremma (totaling €24.48 million pertaining to the Parent Company).

## Income statement

| | 31/12/2023 | 31/12/2022 |
|---|---|---|
| 10. Interest and similar income | 6,255,467 | 2,807,198 |
| 20. Interest and similar expense | - | (111,848) |
| **30. Net interest income** | **6,255,467** | **2,695,350** |
| 40. Fee and commission income | 4 | - |
| 50. Fee and commission expense | (20,601) | (26,024) |
| **60. Net fee and commission income** | **(20,597)** | **(26,024)** |
| **110. Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss** | **4,740,366** | **(19,013,752)** |
| 110.a financial assets and liabilities designated as at fair value | 4,146,620 | (17,976,200) |
| *of which gain/loss on debt securities* | *1,082,030* | *(234,427)* |
| *of which minus/plus on debt securities* | *3,064,590* | *(17,741,773)* |
| 110.b other financial assets and liabilities mandatorily measured at fair value | 593,746 | (1,037,552) |
| *of which gain/loss on debt securities* | - | - |
| *of which minus/plus on debt securities* | *593,746* | *(1,037,552)* |
| **Performance of GS** | **10,975,236** | **(16,344,426)** |
| **110. Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss, - of which portion allocated to affiliated banks** | **(9.062.408)**[67] | **13.429.654** |
| **200. Other operating expenses/income – of which Ex Ante Quota pertaining to Parent Company** | **(1.912.828)**[68] | **2.914.772** |
| **300. Net profit (loss) for the period** | **-** | **-** |

The model provides that all the income components affecting the Iccrea Banca financial statements in relation to the management of the funds connected with the transaction, whether they derive from valuation or from income and charges connected with the management of the funds, be offset through the recognition of an item of the opposite sign that allocates to the lenders the performance achieved on managing the loan funds during the relevant period. This is the reason the profit/loss for the period is zero.

Interest and similar income

Interest income includes interest accrued on financial instruments held.

Interest and similar expense

The item includes the recovery of expenses from Euroclear Bank SA (€4).

[67] In Iccrea's income statement, item 110.a. Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss is reported net of the share re-allocated to the affiliated banks (equal to €9,062,408). The item breaks down as follows:

| | | |
|---|---|---|
| **110.** | **Net gain (loss) on financial assets and liabilities measured at fair value through profit or loss** | **(4,322,042)** |
| 110.a | Financial assets and liabilities designated as at fair value | (4,915,788) |
| | – of which: financial assets and liabilities designated as at fair value | 4,146,620 |
| | ▪ *of which gain/loss on debt securities* | *1,082,030* |
| | ▪ *of which minus/plus titoli debt securities* | *3,064,590* |
| | – of which: change in value of financial liabilities designated as at fair value *(share attributed to mutual banks)* | (9,062,408) |
| 110.b | Ather financial assets mandatorily measured at fair value | 593,746 |

[68] In the income statement, the change in the Ex Ante Quota pertaining to the Parent Company is reported under item 210. Other operating expenses/income.

Fee and commission expense

The item includes custody fees and expenses paid to Euroclear Bank SA (€17,498) and account fees paid to the Bank of Italy (€3,102).

Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss - a) financial assets and liabilities designated as at fair value

The item includes the increase in the fair value of the financial instruments subscribed in accordance with the Investment Policy for the Ex Ante Quotas of the readily available funds, less the quota for the period reattributed to the affiliated banks on a pro-rated basis in accordance with the accounting model established for the dedicated loan.

| | | |
|---|---|---|
| **110.** | **Net gain (loss) on financial assets and liabilities measured at fair value through profit or loss** | **(4,322,042)** |
| | of which Net gain (loss) of financial assets and liabilities designated as at fair value | 4,740,366 |
| | of which Change in value of financial liabilities designated as at fair value | (9,062,408) |

Other operating expenses

This item includes the changes in the value of the Ex Ante Quota pertaining to the Parent Company associated with the result of the management of the dedicated loan at December 31, 2023.

### Application of the compensation mechanism for 2023

In accordance with the provisions of Article 7 letter h of the Cohesion Contract, the contributions paid by the participating banks to the Guarantee System are remunerated. More specifically, participating banks that generate a larger guarantee requirement than that attributed pay a premium to participating banks that generate a smaller guarantee requirement than that attributed to them. The model for applying the compensation mechanism is defined in Annex A to the Guarantee Scheme Policy.

For 2023, the compensation premiums were nil, since both the amounts of the Ex Ante Quota and the Ex Post Quota allocated corresponded to the minimum envisaged under the Cohesion Contract.

### Application of the compensation mechanism for QRPC and QP2G for 2023

The compensation mechanism for QRPC and QP2G determines the premium that the participating banks will collect if the quota assigned is greater than the quota due and, vice-versa, determine the premium the participating banks must pay if the quota assigned is lower than the quota due.

Here, too, the compensation premiums were nil as all the participating banks contribute the amount due.

### Annual adjustment of the RAFs for 2024

The stress test conducted for 2024-2026 found the following allotment of the RAFs for 2024 at the Group level:

- aggregate Ex Ante Quota: €330 million (compared with €323 million for 2023);
- aggregate Ex Post Quota: €330 million (compared with €323 million for 2023).

The resulting guarantee obligations for each participating bank were transmitted to the banks with the Guidance and Coordination Directive "RAS di indirizzo GBCI 2024-2026, aggiornamento Soglie Standard EWS 2024, esiti finali dello Stress Test SDG condotto per l'aggiornamento dei Fondi Prontamente Disponibili a valere per il 2024, ripartizione degli Obblighi di Garanzia e conseguente definizione delle Soglie Patrimoniali EWS 2024".[69]

Based on the quantification of the guarantee obligations, each bank will be notified, with a specific directive, of the amount by which it must increase or decrease its Ex Ante and Ex Post Quota for 2024.

With regard to the Ex Ante Quota, the amount required from the participants decreases by €1,307,621, corresponding to the difference between the Ex Ante Quota for 2024 (€330,174,469), the fair value of the loan at December 31,

[69] See Prot. ICR-OUT-001227-2023-DIR-IeC of November 19, 2023.

2023 (€469,461,714) net of the fair value of securities subscribed as part of support interventions carried out (€137,979,624).

The settlement of the Ex Ante Quotas will involve the debiting/crediting - through the Parent Company – of the daily settlement accounts of each affiliated bank with a value date of January 1, 2024. The adjustment of the Ex Ante Quota for 2024 will update the resources available for the implementation of the transaction referred to in Article 3 of the Loan Agreement.

With regard to the Ex Post Quota, the participants will be required, with a specific Directive, to adjust the agreed credit line with the Parent Company and the securities pledged to guarantee the liquidity lines granted in the same amount by the Parent Company to the participating banks, in line with the functioning of the Ex Post Quota mechanism. Overall, the agreed credit line increases by €107,079,028, defined as the difference between the Ex Post Quota for 2024 (€330,174,469) and the Ex Post Quota at December 31, 2023 (net of the liquidity support intervention of €100 million conducted in June 2023 in favor of BCC di Pisa e Fornacette), equal to €223,095,441).

# REPORT OF THE AUDIT FIRM

mazars

Iccrea Banca S.p.A.

# Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

*(translation of the original report issued in Italian*)*

Financial statements as of 31 December 2023

ORMB/VRCN/vbrb – R2024/00618 (ENG)

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# Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

*(translation of the original report issued in Italian*)*

To the Shareholders of Iccrea Banca S.p.A.

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Iccrea Banca S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2023, and the income statement, the statement of comprehensive income, the statement of changes in shareholder's equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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Rea MI-2076227 - Cod. Fisc. e P. Iva 11176691001
Iscrizione al Registro dei Revisori Legali n. 163788 con D.M. del 14/07/2011 G.U. n. 57 del 19/07/2011

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***Classification and valuation of financial loans to customers***

*For further information, please refer to the Explanatory Notes:*

*“Part A – Accounting policies" – Section A.2 paragraph 3. “Financial assets measured at amortized cost ".*
*“Part B – Information on the balance sheet” - Section 4 “Financial assets measured at amortized cost".*
*"Part C – Information on the income statement”: Section 8 “Net losses/recoveries for credit risk”*
*"Part E – Risk and risk management policies”: “Section 1 Credit risk".*

| Description of the key audit matter | Audit procedures |
|---|---|
| Loans to customers measured at amortized cost, which are reported in item 40 b) of the balance sheet assets, as of 31 December 2023 amount to Euro 7.506 million, representing 13% of total assets.<br><br>Their classification and evaluation provided by the directors is relevant for the audit in consideration of their significance, either with reference to the intrinsic complexity of the process of determining the expected losses and by the subjectivity in the formulation of the estimation processes, also in consideration of the uncertainty of the current macroeconomic context.<br><br>Amongst the estimation factors, the following are of particular importance:<br>• the criteria identified for significant increase in credit risk (SICR) for the allocation of credit portfolios to the homogeneous categories of risk (so-called "staging allocation");<br>• the determination of the parameters for the estimation of expected credit losses (ECL), including *forward-looking* factors for the determination of *Probability of Default* (PD), *Exposure at Default* (EAD) and *Loss Given Default (*LGD) classified in Stage 1 and Stage 2;<br>• credit-impairment evidence leading to classification of loans as impaired in Stage 3. | In response to this key audit matter, the audit approach adopted involved the following procedures:<br>• update of the understanding of the internal control system, as well as internal procedures related to the monitoring of the quality of portfolio and the management of credit risk, as well as those related to the measurement of expected credit losses;<br>• review of the implementation and operating effectiveness of controls, relevant for the purpose of credit classification and valuation process, including information technology (IT) controls;<br>• execution of comparative analytical procedures with reference to the most significant changes over the financial loans to customers compared to previous year figures;<br>• performance of substantive procedures, on a sample basis, in order to test the appropriate classification and valuation of credit exposures;<br>• verification of the adequacy and compliance of the financial disclosure provided in the explanatory notes.<br><br>The procedures described above were also carried out with the support of experts and specialists in financial instruments valuation and in IT systems matters. |

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***Measurement of equity investments***

*For further information, please refer to the Explanatory Notes:*

*“Part A – Accounting policies" – Section A.2 paragraph 5. “Equity Investment”*
*“Part B – Information on the balance sheet” - Section 7.5 “Equity investments - Changes for the period”.*
*"Part C – Information on the income statement”: Section 15 “Profit (loss) from equity investments”*

| Description of the key audit matter | Audit procedures |
|---|---|
| Equity investments, which are reported in item 70 of the balance sheet - assets as at December 31, 2023 amount to Euro 1.372 million.<br><br>The directors assess at least annually any indicators of impairment of the carrying amount of investments, consistent with their strategy for managing legal entities. In accordance with IAS 36 ‘Impairment of Assets’, if indicators of impairment occur, the Company performs an impairment test.<br><br>The process and procedures for determining the recoverable amount of equity investments are based on assumptions that, considering the nature of the items involved, involve the management judgment, especially regarding the identification of impairment indicators and the expectations of the long-term growth rates. | In response to this key audit matter, the audit procedures included the main following activities:<br><br>• understanding of the estimation process of the equity investments recoverable value and the related impairment test procedures;<br>• analysing the report of the external consultant on the determination of recoverable value of the single equity investments conducted as part of the impairment testing;<br>• review the accuracy of the calculations in the impairment testing;<br>• verification of the adequacy and compliance of the financial disclosure provided in the explanatory notes.<br><br>The procedures described above were also carried out with the support of experts and specialists in business valuation models. |

## Responsibilities of the directors and board of statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union *as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015* and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company’s ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors (“collegio sindacale”) is responsible for overseeing, according to the terms prescribed by law, the Company’s financial reporting process.

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## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit performed in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

We communicated to those charged with governance, identified at an appropriate level as required by ISA Italia, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated to them any circumstances that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we identified those that were of most significance in the audit of the financial statements of the current period and are therefore representing the key audit matters. We described these matters in our auditor's report.

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### Additional disclosures required by article 10 of Regulation (EU) No. 537/2014

On 28 May 2021, the shareholders of Iccrea Banca S.p.A. in general meeting engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors ("collegio sindacale"), in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

## Report on compliance with other laws and regulations

### Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Iccrea Banca S.p.A. are responsible for preparing a directors' report of Iccrea Banca S.p.A. as at 31 December 2023, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Iccrea Banca S.p.A. as at 31 December 2023 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the financial statements of Iccrea Banca S.p.A. as at 31 December 2023 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 23 April 2024

Mazars Italia 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.*