Consolidated financial statements 2023

Consolidated financial statements at 31 December 2023

Cassa di Risparmio di Bolzano S.p.A.
Südtiroler Sparkasse AG

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Dear Shareholders, Customers and Employees,

We extend our most cordial greetings, also on behalf of the members of the Board of Directors and the Board of Statutory Auditors, on this occasion for the presentation of the financial statements concerning the **169th financial year of our Bank**, since its foundation in 1854.

2023 was a **challenging year** both in terms of financial market performance and in terms of external events affecting the business. The continuing conflict in Ukraine and the new outbreak of war in the Middle East represented the most serious events in the geopolitical scenario. The economic performance was affected, but the territories in which we operate have proven to be solid.

This financial year also reflects **for the first time the size of the new group** comprising the two banks, Sparkasse and CiviBank, without the result being affected by extraordinary elements that had characterised the previous year. The acquisition of CiviBank in 2022 had an impact on the results of the previous financial year with several extraordinary items. In 2023, the first positive effects of the presence in the Group of the new subsidiary can already be noted because of its profit contribution to the consolidated result.

The profit at Group consolidated level reached the amount of Euro **82.2 million** (amount pertaining to the Parent Company equal to Euro 78.2 million) and **at the individual level** of Cassa di Risparmio di Bolzano the amount of Euro **55 million.** The income statement shows an **excellent commercial performance and** demonstrates **the ability to generate revenues as well as cost containment.** The growth in capital ratios is also particularly significant, as they show great solidity. These results allow us to adequately remunerate our Shareholders.

More generally, the positive trend that has characterised Sparkasse in recent years continues. We are therefore very satisfied with the results achieved in 2023 by both banks, which have contributed to strengthening profitability. They represent clear evidence of a healthy and efficient banking group. At the same time, we want to continue **to favour prudence in the credit area.** Maintaining this approach is essential for effective risk management and to ensure long-term financial strength.

In the coming months, the new three-year business plan will be approved, which will allow the Sparkasse Group to be able to express its development potential even better. The new plan will make it possible to optimise performance levels and the quality of services and products offered.

We are committed to contributing to building a fairer and more sustainable future for people and the Community; this is why we have integrated ESG (Environmental, Social, Governance) principles into our business model. The Board of Directors has approved the **2023-2025 Sustainability Plan** characterised by ambitious objectives and activities to give substance to the implementation of the strategic directions and other important plans. We believe it is essential to aim for a balance between the pillars of sustainability, i.e. environment, community and good governance, in full awareness of the important role that our Bank plays in the development of the local economy and the growth of the reference community. The support and backing that we try to demonstrate on a daily basis towards our stakeholders are fundamental aspects that distinguish us and that we intend to pursue in the future as well.

The involvement of banks in climate change is a topic of increasing importance, as financial institutions play a significant role in financing projects and activities that can positively affect the environment. The creation of the new energy company "**Sparkasse Energy**" is a significant step towards being more sustainable and becoming more autonomous in the energy sector. Sparkasse Energy will produce green energy to cover the energy consumption – and related CO_2 emissions– of the entire banking Group.

Sustainability is a challenge, both cultural and managerial: we must all do our part to be able to implement transformation strategies that benefit future generations.

The bank is highly regarded by **national institutions, such as ABI and ACRI**, and **European institutions, such as the ESBG (European Savings Bank Group)** where Sparkasse – Cassa di Risparmio di Bolzano, through its Chairman, holds the prominent role of Deputy-Chairmanship. The ESBG group includes 871 savings and retail banks in 20 European countries with a total of 163 million customers. This solid network is based on mutual trust and a common vision of the objectives of the sector, guaranteeing greater resilience, innovation and benefit to all players involved.

During the year, two important **awards** were granted to the Institute in the person of the Chairman, Mr Gerhard Brandstätter: in particular at the Annual Meeting of the Association of Free Savings Banks - Germany - (Verband der Freien Sparkassen - Deutschland), the honour of the "Goldene Ehrennadel" was conferred for the merits and successes achieved. As part of the traditional conference between the Savings Banks (ACRI) and the Private Banks (Pri.Banks), which in 2023 was hosted by the Cassa di Risparmio della Repubblica di San Marino, the same Chairman received, for the work carried out over the years in ACRI and with Cassa, a high honour from the Republic of San Marino.

The above is also the result of the work of the entire structure under the guidance of the Chief Executive Officer, Mr Calabrò. The work performed has considerably strengthened the commercial and reputational position of Sparkasse.

We would like to express our **sincere gratitude to all employees** for their great commitment and dedication to their work. The success of each project depends on the contribution of each individual team member. You have demonstrated professionalism, commitment, dedication and team spirit. We are confident that we will together face future challenges and achieve new successes.

Words of gratitude and appreciation also go to all the members of the **Board of Directors** and the **Board of Statutory Auditors** for their constant commitment.
We thank **our stakeholders** and, especially the Shareholders, our reference shareholder, the Cassa di Risparmio di Bolzano Foundation, the other national and foreign banks and foundations, the Customers, the Bodies, the Associations and the Suppliers, and also the Institutions.

Our mission is to be the **reliable and sustainable financial partner of our community.** We are committed to providing high quality financial services, promoting economic growth, and contributing to the well-being of the territories we serve.

Thank you for the trust you have shown in us, we are committed to growing together with you in the future.

Kind regards.

Gerhard Brandstätter
Chairman, Cassa di Risparmio di Bolzano

Carlo Costa
Deputy Chairman, Cassa di Risparmio di Bolzano

Bolzano, 15 March 2024

Letter from the Chief Executive Officer and General Manager

Letter from the Chief Executive Officer and General Manager

Dear Shareholders, Customers and Collaborators,

Our banking group has grown considerably in recent years and the recent acquisition of CiviBank makes it possible to position Sparkasse **among the main credit institutions in the Northeast and among the top 20 banks in Italy.** This will allow us to achieve significant synergies in the coming years, obtaining further cost savings in the face of revenue developments.

In 2023, the Sparkasse Group has successfully addressed the uncertainties and difficulties of the external context by leveraging its business model and its solidity. The **profit** at consolidated level stood at Euro 82.2 million (share pertaining to the Parent Company of Euro 78.2 million) and at the individual level of Cassa di Risparmio di Bolzano the amount was Euro 55.0 million.

Looking in detail at the Sparkasse's **income statement** for 2023, the excellent result is attributable, first and foremost, to a substantial reconfirmation of **revenues** against falling **costs.**

Net interest income amounted to Euro **197.7 million**, with a limited reduction of 2.7**%** compared to 2022, mainly linked to the growth in ECB rates on TLTRO loans, despite the good performance of the coupon component of the securities portfolio. With reference to net interest income, the higher cost component was the increase in the remuneration of deposits, which saw the bank offer its customers attractive rates with different types of maturities.

Revenues from services amounted to **Euro 95.3 million** and grew by **1.3%** compared to the record result of the previous year, confirming the trend of increasing diversification in 2023.

Operating costs amounted to Euro **199.4 million,** down by Euro 5.7 million compared to the previous year.

Note the significant increase in capital ratios with **CET1** at **15.1%** and the Total **Capital Ratio** at **16.6%.** These values place Sparkasse at an **excellent level in comparison with the average values of comparable banks.**

The **NPL ratios** are based on values that express the positioning of **Sparkasse among the banking players with the lowest level of non-performing loans:** gross ratio **at 3.5%** and net **at 1.3%.**

Overall, in addition to the good business development of our activities, we should also emphasise the high provisions for credit risks, which are above average, and this is an important message to our shareholders and customers. **Hedges on non-performing loans** amounted to **62.8%.** The maintenance of **adequate provisions** on credit risks represents a **confirmation of a prudential approach** that Sparkasse intends to pursue.

At group level, during the 2023 financial year, **162 new hires were made, of which over 70% under 35,** to encourage growth and allow for a **significant generational turnover.** Investing in new talent contributes to maintaining the vitality of our organisation, adapting to new challenges and meeting customer expectations in a rapidly evolving financial environment.

In 2023, the **integration of CiviBank into the new Group was also completed.** This required careful and prudent planning to maximise benefits and ensure effective synergy between the entities involved in the future. The careful management of operational, cultural and strategic aspects has allowed us to successfully complete and implement this often complex and multifaceted process.

We strengthen our ambition to be a "life partner" for our customers. Over the past year we have continued to build an increasingly constant and personalised relationship with them, also taking advantage of the opportunities made available by digital technologies. One of the elements we are most proud of is the ability of our **network of consultants** who have shown themselves to be able to deal with customers **with levels of professionalism and attention that make the difference.** The excellent results achieved in the most recent customer survey are confirming that all the efforts made are being appreciated by the people and companies that rely on Sparkasse on a daily basis. The high level of customer confidence in our bank is one of the most important indicators that may be reflected in increased deposits and the willingness of customers to entrust us with further financial services.

In this regard, I would like to **thank my colleagues** who continue to work hard and are recognised by our customers as competent and reliable interlocutors. Our preference remains the combination of the important work carried out in the associated branches with new and innovative consulting solutions with remote connection formulas.

We are preparing the **new group business plan** that will be designed to significantly improve our offer and the overall experience of services. We are committed to driving innovation in our sector and growing sustainably, always keeping the needs of our customers at the center. The plan, developed after a careful analysis of the market context, emerging needs and opportunities, will focus on several key areas to strengthen the competitive position of the Sparkasse Group.

We continue on the path we have chosen with conviction, aiming for a **modern bank model, oriented towards consultancy and attentive to digital innovation**; moreover, with the acquisition of CiviBank we have become an important reference point in the Northeast. We are also firmly committed to playing an active role in promoting financial and environmental sustainability. We believe that this commitment not only reflects Sparkasse's values, but is also decisive in helping to ensure a peaceful future for all. We are convinced that we will be able to achieve important goals in the coming years to grow with a long-term vision.

Kind regards,

Nicola Calabrò

Chief Executive Officer and General Manager

Bolzano, 15 March 2024

Consolidated summary sheet

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SUMMARY SHEET

Consolidated balance sheet figures (in thousands of euro)	31/12/2023	31/12/2022	Absolute change +/-	% change
Total Assets	**17,191,829**	**17,441,457**	**(249,628)**	**-1.43%**
Financial investments	**14,983,406**	**15,286,239**	**(302,833)**	**-1.98%**
Financial assets measured at fair value through profit or loss	192,484	182,853	9,631	5.27%
Financial assets measured at fair value through other comprehensive income	316,410	369,923	(53,513)	-14.47%
Financial assets measured at amortised cost	14,474,512	14,733,463	(258,951)	-1.76%
- of which Loans to banks	300,861	243,926	56,935	23.34%
- debt securities	183,690	137,143	46,547	33.94%
- of which Loans to customers	14,173,651	14,489,537	(315,886)	-2.18%
- net loans	*9,669,341*	*9,991,218*	*(321,877)*	*-3.22%*
- debt securities	*4,504,310*	*4,498,319*	*5,991*	*0.13%*
Property, plant and equipment	414,605	380,777	33,828	8.88%
Intangible assets	30,057	25,318	4,739	18.72%
Equity investments	10,167	9,505	662	
Direct funding	**12,202,021**	**12,272,815**	**(70,794)**	**-0.58%**
Due to customers	11,773,212	12,149,187	(375,975)	-3.09%
Payables represented by securities	428,809	123,628	305,181	246.85%
Due to banks	3,309,407	3,598,520	(289,113)	-8.03%
Total funding	**15,511,428**	**15,871,335**	**(359,907)**	**-2.27%**
Direct funding [1]	12,202,021	12,272,815	(70,794)	-0.58%
Indirect funding	6,200,438	5,695,274	505,164	8.87%
Total funding	**18,402,459**	**17,968,089**	**434,370**	**2.42%**
Group shareholders' equity	**1,092,065**	**1,018,525**	**73,540**	**7.22%**

Consolidated income statement figures (in thousands of euro)	31/12/2023	31/12/2022	Absolute change +/-	% change
Net interest income	301,500	266,400	35,100	13.18%
Gross contribution margin [2]	431,465	384,342	47,123	12.26%
Gross operating result [3]	163,650	244,920	(81,270)	-33.18%
Net operating result [4]	114,365	192,934	(78,569)	-40.72%
Gross profit (loss)	121,232	201,257	(80,025)	-39.76%
Profit (loss) for the year	78,169	175,384	(97,215)	-55.43%

Capital ratios (%)	31/12/2023	31/12/2022	+/- change
CET 1 Capital Ratio	14.09	12.60	1.49
Tier 1 Capital Ratio	14.80	13.27	1.53
Total Capital Ratio	15.48	14.20	1.28

Liquidity ratios (%)	31/12/2023	31/12/2022	+/- change
LCR (Liquidity Coverage Ratio)	221.16	187.60	33.56
NSFR (Net Stable Funding Ratio)	127.47	120.89	6.58
Leverage Ratio (ratio between Tier1 and Total assets)	5.93	5.69	0.24

Coverage of non-performing loans ratios (%) [5]	31/12/2023	31/12/2022	+/- change
Coverage of bad loans	68.78	68.02	0.76
Coverage of unlikely to pay	47.14	42.96	4.18
Total coverage of non-performing loans	50.90	47.46	3.44
Gross NPL ratio	3.84	3.61	0.23
Net NPL ratio	1.93	1.94	-0.01
Texas Ratio [6]	16.62	19.39	-2.77

Profitability and efficiency ratios (%)	31/12/2023	31/12/2022	+/- change
ROE - Return on equity [7]	7.41	18.58	-11.17
Gross contribution margin/brokered funds [8]	1.52	1.38	0.15
Cost/income ratio [9]	59.03	54.42	4.61

1) in the direct funding, starting in 2019, leasing liabilities recognised in accordance with IFRS 16 are included.
2) coincides with the net interest and other banking income (Item 120 of the consolidated income statement)
3) net interest and other banking income - operating costs (excluding allocations to provisions for risks and charges)
4) profit (loss) from current operations after tax (Item 310 of the consolidated income statement)
5) data calculated on the basis of the net book value of non-performing loans (fair value) of Banca di Cividale (as required by IFRS 3)
6) ratio between net non-performing loans and tangible shareholders' equity
7) ratio between profit for the year and closing shareholders' equity (average of the last two years)
8) total funding and loans to customers
9) the value was determined without considering the payment of contributions to the Crisis Resolution and Deposit Guarantee Funds. In the comparative figure for 2022, the "badwill" component deriving from the CiviBank business combination was also excluded.

Board of Directors' Report on Group operations

1 Introduction

In compliance with the provisions of IFRS 10, in addition to the Parent Bank, the following companies are included in the scope of consolidation:

- Banca di Cividale S.p.A. - Benefit company (hereinafter also "CiviBank");
- Sparim S.p.A.;
- Raetia SGR S.p.A. in liquidation;
- Sparkasse Haus S.r.l.;
- SPK OBG S.r.l.;
- the Dolomit Real Estate Fund in liquidation.

79.10%, 100%, 100%, 100%, 60% and 96.82% owned respectively;

- Sparkasse Energy S.r.l., a company wholly owned by the subsidiary Sparim S.p.A.;
- Fanes S.r.l. and Civitas S.r.l., a special purpose entity of the self-securitisations put in place by the two banks of the Group, included in the scope of line-by-line consolidation in compliance with the more extensive definition of "control" dictated by IFRS 10 from 1 January 2014.

With regard to the equity investment in Raetia SGR S.p.A. in liquidation, it should be noted that, although it falls within the scope of consolidation, following its placement in liquidation on 27 April 2012, the totals of the Assets and Liabilities as well as the income statement result are respectively classified under the items "Non-current assets and groups of assets held for sale", "Liabilities associated with assets held for sale" and "Profit (loss) from discontinued operations after tax" for their carrying amount after the elision and consolidation entries.
In addition, it should be noted that, with reference to the closed-end real estate fund Dolomit, managed by Castello Sgr S.p.A., on 13 February 2019 the shares were paid back to the subscribers (albeit partially and not definitively), following the final liquidation process of the Fund itself, which will be concluded shortly.
Also included in the scope of consolidation is the 25% investment in Autosystem società di servizi S.p.A. over which the Parent Bank exercises a significant influence, i.e. holds a stake of between 20% and 50%. This company is valued and consolidated using the equity method.
In the consolidated financial statements, in addition to the elimination of intra-group items, as well as of dividends collected, intra-group profits, not realised with third parties, were eliminated.

2 The macroeconomic scenario

2.1 The international economic context and changes in the banking system

The global economy continued to recover from the coronavirus pandemic, the Russian invasion of Ukraine and the surge in inflation. However, the recovery remained slow and uneven, with wide divergences among the various regions and countries. In fact, after the strong recovery at the beginning of 2023, global growth weakened, reflecting in particular the loss of momentum of the economic recovery in China also due to the re-emergence of problems in the residential real estate sector. The effects of an increasingly restrictive monetary policy in the main advanced countries to combat inflation that remained too high were also felt to an ever-greater extent during the year. However, the high geopolitical uncertainty also weighed heavily. To be taken into consideration is the continuation of the war in Ukraine, in addition to the escalation of tensions in the Middle East in October with the terrorist attack by the Palestinian group Hamas on Israel and the subsequent harsh military reaction in Tel Aviv, which is still underway. Between July and September (the latest period for which data are available), GDP rose by 0.7 % compared to the previous period in the G20 economies, i.e. in the most important industrialised and emerging countries, and by 0.5% in the OECD (Organisation for Economic Co-operation and Development) countries, i.e. in the main advanced countries. The more sustained trend of the G20 countries compared to the OECD countries is largely explained by China and India, which grew by 1.3% and 1.7% respectively. For China, however, this is a historically low rate of expansion. Compared to the same period in 2022, on the other hand, GDP in the third quarter showed an increase of 2.9% in G20 countries and 1.6% in OECD countries. As regards the individual G20 countries, India recorded the strongest growth (+7.0%), while Saudi Arabia recorded the weakest growth (-3.6%). The GDP of the G20 countries is therefore now 9.6% above the pre-pandemic level at the end of 2019, while the GDP of the OECD countries is only 5.9% higher. Among the G20 countries, the best performance from the end of 2019 was posted by Turkey, whose economy grew by an impressive 23.3%, followed by China (+18.7%) and India (+16.9%). Lagging behind is Germany, whose GDP is only 0.3% above the level at the end of 2019. With reference to the three most important economic areas, according to preliminary estimates for the fourth quarter of 2023 released at the end of January, GDP increased by only 0.1% compared to the corresponding period of 2022 in the Eurozone (after stagnation in the third quarter), by as much as 3.1% in the US (+2.9%) and by as much as 5.2% in China (from +4.9%). In the whole of 2023, on the other hand, the Eurozone grew by 0.5% (from +3.4% in 2022), the United States by 2.5% (from +1.9%) and China by 5.2%. (from +3.0%), thus slightly exceeding the Beijing target set at "around 5%".

After marginally worsening its world growth forecasts for 2024 three times during 2023 (in January, April and October), the International Monetary Fund (IMF) raised them by two-tenths at the end of January, while confirming those for next year. The upward revision for 2024 reflects the above-expected resilience of the US and several large emerging economies, but also the fiscal stimulus in China. In the meantime, inflation is falling in most regions to a greater extent than expected, also thanks to the restrictive monetary policy and the easing of supply-side problems. Therefore, the probability of a "hard landing" of the economy decreases. In fact, the risks to growth have now become broadly balanced after having been leaning downwards for a long time. Downside risks, however, include new commodity price hikes and global supply disruptions due to geopolitical tensions (e.g. continued attacks by Yemeni Houthi rebels in the Red Sea), more persistent underlying inflation, and worsening real estate difficulties in China.

Based on the IMF projections contained in the January "World Economic Outlook" (WEO) update, the global economy will grow by 3.1% in 2024, as well as in 2023, and by 3.2% in 2025. However, the pace of expansion will remain in both years well below the rate of 3.8% observed on average between 2000 and 2019. In fact, the restrictive monetary policy to counter inflation, the phasing out of fiscal stimulus in light of the high debt levels reached, and low productivity growth, are all being felt. The growth of advanced economies will slow down further from 1.6% in 2023 to 1.5% in 2024, before accelerating slightly to 1.8% in 2025. Emerging countries, on the other hand, are expected to expand again by 4.1% in 2024 and 4.2% in 2025. The growth differential between emerging countries and advanced economies will therefore widen from 2.5% in 2023 to 2.6% in 2024, and then narrow again to 2.4% in 2025. With reference instead to the three most important economic areas, Eurozone GDP is expected to increase by 0.9% in 2024 and 1.7% in 2025. In contrast, the US will grow by 2.1% in 2024 and 1.7% in 2025. Finally, the Chinese economy is expected to expand by 4.6% in 2024 and 4.1% in 2025. In the Eurozone, therefore, a slight recovery in economic activity is expected after a difficult 2023, when high energy prices and restrictive monetary policy have limited demand. On the other hand, the slowdown in growth in the United States this year reflects the restrictive monetary policy that has yet to be fully felt in the economy, while in China the weakness of consumption and investments continues to weigh.

After the surge in consumer prices in the first ten months of 2022, since November of that year there has been a marked downsizing of inflationary pressures. This trend is largely explained by the fading of the effects of previous shocks on energy and food prices and on supply chains, also linked to the unjustified aggression of Ukraine by Russia in February 2022. However, wage pressures remain strong, reflecting the still tense conditions in the labour markets. In OECD countries, on average in 2023, inflation fell from 9.5% to 6.9%, after reaching a maximum since 1988 in 2022. As regards the Eurozone, on the other hand, after seven consecutive months of decline, in December inflation rose by five tenths to 2.9%, after having fallen in November to the lowest level since July 2021. Much of the overall inflation is now explained by food and services, while a negative contribution comes from the energy component, reflecting favourable base effects. Core inflation, i.e. net of the energy and food component, on the other hand, fell by two tenths to 3.4% in December, reaching the lowest level since March 2022, after settling at 5.7% in March, a new historical high. This is the fifth consecutive month of decline. On average in 2023, overall inflation slowed down by three percentage points to 5.4%, after reaching a historical high of 8.4% in 2022, while core inflation accelerated by one percentage point at 5.0%, the new historical high. According to the latest projections of the European Central Bank (ECB) for December, inflation is expected to fall to 2.7% in 2024, 2.1% in 2025 and 1.9% in 2026. In the last two years of the forecast horizon, inflation will therefore return substantially in line with the symmetrical target of 2% in the medium term. With regard to core inflation, the ECB's projections indicate a decline to 2.7% in 2024, 2.3% in 2025 and 2.1% in 2026.

2.2 New legislation and regulations

The year 2023 was also marked by important interventions and regulatory updates that will be briefly described below.

Inventory adjustment

The Budget Law introduces the possibility of adjusting inventories, under certain conditions, to the actual stock situation. There is the option of either eliminating opening balances of higher quantities or values than actual balances, or to enter previously omitted opening balances.

The adjustment concerns the tax period in progress as at 30 September 2023 and can benefit business operators who do not adopt international accounting standards. The adjustment may concern inventories:

- of the goods to be produced or exchanged by the company;
- raw and ancillary materials, semi-finished products and other movable assets, excluding those used in operations, purchased or produced for use in production.

In the case of the derecognition of opening inventories of quantities or values greater than the actual ones, VAT must be paid. It is calculated by applying the average rate referable to the year 2023 to the amount resulting from multiplying the eliminated value by a specific mark-up coefficient for each asset, of a substitute tax for IRPEF, IRES and IRAP.

The adjustment must be requested in the tax return relating to the tax period in progress as at 30 September 2023.

The taxes due must be paid in two equal instalments:

- the first, within the deadline set for the payment of the balance of income taxes relating to the tax period in progress as at 30 September 2023;
- the second, by the deadline for payment of the second or single instalment of the advance payment of income tax for the tax year 2024.

The adjustment is not relevant for sanctioning purposes of any kind and has no effect on the reports of findings delivered and on the assessments notified up to 1 January 2024.

The values resulting from said adjustment are recognised for statutory and tax purposes starting from the tax period in progress as at 30 September 2023, within the limit of the value recorded or eliminated, cannot be used for assessment purposes with reference to previous tax periods.

Recalculation of the tax cost of land and equity investments (listed and unlisted)

The regime for the recalculation of the tax cost of unlisted participations under Article 5 of Law No. 448/2001 is again extended, confirming its application also to equity investments traded on regulated markets or in multilateral trading systems, as well as the revaluation of land under Article 7 of Law 448/2001.

Therefore, also for 2024, natural persons, non-commercial general partnership and non-residents persons without a permanent establishment in Italy will be allowed to revalue the purchase cost or value of the investments and land held as at 1 January 2024, outside the company regime, releasing all or part of the capital gains achieved, pursuant to Article 67 paragraph 1 letter a) - c-bis) of the TUIR [Consolidated Income Tax Act], when the equity investments or land are sold for consideration.

To recalculate the value of unlisted equity investments and land, it will be necessary for a qualified professional to draw up and certify the appraisal of the equity investment or land by 30 June 2024.

On the other hand, for the recalculation of the cost of securities, units or rights traded on regulated markets or multilateral trading facilities held as at 1 January 2024, the new paragraph 1-bis of Article 5 of Law 448/2001 provides for the possibility of assuming, in place of the purchase cost or value, the normal value determined on the basis of the arithmetic average of the prices recorded in December 2023 pursuant to Article 9 paragraph 4 letter a) of the TUIR.

The recalculation of the tax cost of equity investments (listed and unlisted) and land for the year 2024 provides for the application of the substitute tax with a single rate of 16% (to be paid for the entire amount, by 30 June 2024, or in instalments, on 30 June 2024, 30 June 2025 and 30 June 2026).

The restatement is finalised with the payment, by 30 June 2024, of the total substitute tax due or of the first instalment.

Taxability of the establishment of real estate rights

The 2024 Budget Law addresses Article 9 para. 5 of the TUIR, mitigating the principle of equal treatment between the transfer for consideration of real estate and the constitution/transfer of rights in rem, applying it only where the rules do not provide otherwise. In addition, a provision is introduced into Article 67, paragraph 1(h) of the Consolidated Income Tax Act (TUIR) whereby not only income deriving from the grant of usufruct rights over immovable property is taxed as miscellaneous income, but so is the income *"deriving from the constitution of other rights in rem of enjoyment".*

Capital gains on equity investments realised by non-resident companies

The Budget Law provides that, from 2024, capital gains realised by non-resident companies and commercial entities, if taxed also in Italy, are subject to substitute tax of 26% on only 5% of the relative amount.

From a subjective point of view, the benefit is reserved for companies and commercial entities resident in countries of the European Union or the European Economic Area. From an objective point of view, however, these must be equity investments that:

- are qualified (in principle, more than 20%);
- meet the requirements of Article 87 of the TUIR (for example, equity investments in real estate companies are excluded).

Operationally, the change concerns the sales carried out by companies based in France and Cyprus; for transferors resident in other European countries, in fact, capital gains are taxed only in the respective countries of residence on the basis of international conventions.

New rates for IVIE and IVAFE

The Budget Law provides for an increase in the rates of property taxes on foreign investments. In particular, from 2024 the IVIE increased from the previous 0.76% to 1.06%, while the IVAFE increased from the previous 0.2% to 0.4%, but only for financial products held in blacklisted countries.

The increase applies from 1 January 2024 also for foreign investments made beforehand.

For the purposes of the application of the IVAFE at 0.4%, the holding of financial products with resident financial intermediaries in the so-called "black list" is relevant.

Amendments to the transitional arrangements for the deductibility of write-downs and loan losses in banks and insurance companies

The Budget Law again amends the transitional arrangements of deductibility, for IRES and IRAP purposes, of losses on loans in banks, financial companies and insurance companies, already subject to some changes in recent years.

In detail, it establishes the deferral, on a straight-line basis, to the tax period in progress as of 31 December 2027 and the following tax period, of the deduction:

- of the 1% share of the amount of the negative components provided for the tax period in progress as of 31 December 2024;
- of the 3% share of the amount of the negative components provided for the tax period in progress as at 31 December 2026.

There is also an obligation to recalculate the IRES and IRAP advances relating to the tax periods affected by the amendments.

Past due roles for amounts exceeding Euro 100,000 - Prohibition of offsetting in the F24 form

The Budget Law prohibits offsetting in the F24 form, pursuant to Article 17 of Legislative Decree No. 241/97, in the presence of overdue roles relating to taxation or enforceable assessments, for amounts totalling more than Euro 100,000.

The prohibition applies if there are no suspension measures and continues until the violation is completely removed.

The changes apply from 1 July 2024 and the prohibition of offsetting in the F24 form applies in relation to all taxpayers (natural persons, companies and entities).

Lastly, to the extent that the receivable exists, the offsetting is sanctioned to the extent of 30%.

Offsetting in the F24 form of INPS and INAIL credits - Introduction of an initial term

The Budget Law introduces an initial term for the offsetting in the F24 form also of INPS and INAIL receivables.

The offsetting of receivables of any amount accrued by way of contributions to INPS may be carried out:

- by non-agricultural employers from the fifteenth day following the monthly deadline for the electronic transmission of payroll data and the information necessary to calculate the contributions from which the credit arises or from the fifteenth day following its submission, if late; or, from the date of notification of the payable adjustment notes;
- by employers paying the unified agricultural labour contribution, from the due date of the payment relating to the agricultural labour declaration from which the credit arises;
- by self-employed workers enrolled in the special management systems for craftsmen and traders and by freelance professionals enrolled in the separate management system pursuant to Law No. 335/95, as from the tenth day following the day on which the tax return from which the credit arises is submitted.

The set-off of receivables of any amount for premiums and accessories accrued with INAIL may be carried out provided that the receivable that is certain, of a fixed amount and due, is entered in the records of the aforementioned institute.

Efficiency of third-party attachment procedure

The Budget Law makes the third-party attachment procedure more efficient by specifying that, prior to the attachment, the collection agent may use electronic application cooperation methods to acquire any necessary information held by anyone.

IMU - Exempt non-commercial entities for properties on a free loan basis or unused

The Budget Law specifies that Article 1 paragraph 759 letter g) of Law 160/2019, relating to the exemption from IMU for non-commercial entities, as well as the rules referred to or superseded by that provision, must be interpreted as meaning that the immovable property of the non-commercial entity is to be understood:

- "owned" even if granted on a loan basis to another non-commercial entity that is functionally or structurally linked to the granting entity, provided that the entity receiving the loan carries out in the property exclusively the institutional activities set forth in Article 7 co. 1 lett. i) of Legislative Decree 504/92, in a non-commercial manner;
- "used" even in the absence of the current exercise of institutional activities pursuant to Article 7, para. 1, letter i) of Legislative Decree No. 504/92, provided that such absence does not result in the definitive termination of the property's instrumentality for the performance of the aforesaid activities.

Postponement of "plastic tax" and "sugar tax"

The Budget Law provides for the further deferment to 1 July 2024 of the effectiveness of the provisions relating to the tax on the consumption of products with single use (so-called "plastic tax"), and the tax on the consumption of sweetened non-alcoholic drinks (so-called "sugar tax").

Fringe benefit 2024 – Increase in the exemption threshold

The threshold of non-taxability of fringe benefits for 2024 is raised from Euro 258.23 to Euro 1,000, for all employees and Euro 2,000, only for employees with dependent children.

Also included in the above limit, for all employees, are the amounts disbursed or reimbursed by the employer for the payment of domestic utilities for the integrated water service, electricity and natural gas, as well as the cost of renting a first home or the interest on a mortgage for the first home.

The novelties in force for work and family

Cadastral variation of properties subject to superbonus measures

With regard to the real estate units subject to interventions that give the right to the superbonus, pursuant to Article 119 of Decree Law 34/2020, the Budget Law specifies that the Revenue Agency is allowed to verify whether the Docfa declaration has been submitted, also for the purpose of any changes in the cadastral income.

"Building" measures - Increase in withholding tax on "talking" bank transfers

The 2024 Budget Law introduces the increase in the withholding tax that is applied on bank transfers and that will rise from 8% to 11%, starting from 1 March 2024. The withholding tax in question is applied to payments made by bank transfer "in relation to charges that are deductible or for which the tax deduction is due".

Reduction of substitute tax on performance bonuses

The substitute tax for IRPEF and additional regional and municipal taxes on performance bonuses, provided for by Article 1 paragraph 182 of Law no. 208 of 28 December 2015, is reduced from 10% to 5% also for premiums and amounts paid out in 2024.

Contributions and tax credit for reconstruction following the flood of 1 May 2023

The Budget Law regulates the methods of disbursement of contributions for private reconstruction in the areas affected by the flood events that occurred starting from 1 May 2023, pursuant to Article 20-sexies par. 3 letter a), b), c), d), e) and g) of Decree Law 61/2023.

It is envisaged that these contributions will be disbursed, on the basis of the concession applications submitted pursuant to Article 20-septies of Decree Law 61/2023, directly by the Extraordinary Commissioner for total amounts considered up to a maximum of Euro 20,000 if intended for private parties not carrying out social,

economic and production activities, and of Euro 40,000 if intended for persons carrying out social activities, economic and productive.
In the event of access to subsidised financing, a tax credit is granted to the beneficiary in an amount equal, for each repayment term, to the total consisting of the principal, the interest due and the expenses strictly necessary for the management of such financing.

Extension for accessing the first home guarantee fund

At 31 December 2024, the Budget Law postpones the expiry of the term pursuant to Article 64 paragraph 3, first and second subparagraphs, of Decree Law 73/2021 for access to the Guarantee Fund for the first home, according to the priority regime for granting the guarantee up to the maximum threshold of 80% of the principal amount, from time to time in place on the loans granted.
The benefit in question concerns the following categories of persons, with an ISEE not exceeding Euro 40,000 per year: young couples, single-parent families with minor children, tenants of lodgings owned by autonomous institutes for public housing however denominated, young people who have not reached the age of 36.
Until 31 December 2024, it will therefore be possible to submit a request for access to the Guarantee Fund for the first home, under the conditions set forth in Article 64 paragraph 3 of Decree Law 73/2021, first period, even when the global effective rate (TEG) is higher than the average global effective rate (TEGM) published quarterly by the Ministry of Economy and Finance pursuant to Article 2 of Law 108/96.

Reduction of the RAI fee

The Budget Law redetermines the amount of the fee for the subscription to television for private use at Euro 70 per year (Article 1, paragraph 40 of Law 232/2016), for the year 2024.

Summary of the main regulatory impacts of interest for the banking system

Update of the provisions of Circular no. 262 "The bank financial statements: formats and rules for preparation" concerning the impact of COVID-19 and measures to support the economy (Communication of 14 March 2023)

The March 2023 communication updates the banks' financial statement provisions (Circular No. 262 of 2005) regarding information provided to the market on the effects of COVID-19 and the measures to support the economy have had on the risk management strategies, objectives and policies, as well as on the economic and financial position of the intermediaries.
This update is related to the changed pandemic scenario, which saw a gradual decrease in the volume of loans disbursed under the moratorium during 2022, while the volume of loans under the Covid-19 government guarantee, for which the repayment period started at the end of 2022 after a pre-amortisation period, remained significant.
The update also provides for the derecognition of the financial statement information relating to loans backed by a moratorium, while information on loans subject to government guarantee is now required, in free format, at the foot of some tables of the sections of the Notes to the Financial Statements on the Balance Sheet and on the credit risk.
The provisions apply to financial statements closed or in progress as at 31 December 2023.

8th update of Circular no. 262 of 2005 "The bank financial statements: formats and rules for their preparation" (17 November 2022)

The 8th update amended Circular no. 262 of 22 December 2005 to take into account the new international accounting standard IFRS 17 "Insurance contracts" – which has replaced the current accounting standard on insurance contracts IFRS 4 from 1 January 2023 and the consequent amendments introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures".

The amendments mainly concerned the consolidated financial statements of banks leading conglomerates mainly in the banking sector as well as those of banks that have equity investments in insurance companies consolidated for accounting purposes and that are not at the head of conglomerates.
The main new aspects introduced concern the adjustment of the consolidated financial statements and the related disclosure of the notes to the IFRS 17, which amended IAS 1 and IFRS 7, and the alignment with the provisions issued by IVASS.
The update applies starting from the financial statements closed or in progress at 31 December 2023.

<u>44th update of Circular 285/2015 "Supervisory provisions for banks" (19 December 2023) - Amendment of the regulations on interest rate and credit spread risk on the banking book (IRRBB and CSRBB)</u>
The 44th update modifies chapter 1 ("Prudential control process") of Part I, Chapter III, and paragraph 3 ("The internal control system") of Part I, Chapter IV, of the Circ. 285/2013, supplementing the national regulations with the changes defined at European level on interest rate risk and credit spread on the banking book (IRRBB and CSRBB, respectively). In particular, the Circular acknowledges the provisions of Articles 84 and 98 of Directive 2013/36/EU ("CRDV") and the following implementing provisions:

- Delegated Regulation of the European Commission (pursuant to Article 84 par. 5 CRDV), containing regulatory technical standards to define the content of the standardized and simplified standardized methodology for the measurement of IRRBB in the perspective of the economic value and the interest margin;
- EBA Guidelines on IRRBB and CSRBB (in implementation of Article 84 paragraph 6 of the CRDV), to define (1) the criteria for the identification, assessment, management and mitigation of IRRBB, (2) the criteria for the assessment and monitoring of the CSRBB, (3) which of the internal systems applied by the entities are not satisfactory for the supervisor;
- Delegated Regulation of the European Commission (in implementation of Article 98 paragraph 5bis of the CRDV) containing regulatory technical standards with reference to supervisory tests on anomalous values (Supervisory Outlier Test, SOT).

For the purposes of transposing the content of Articles 84 and 98 of the CRDV, the provisions relating to the CSRBB were included in the Chapter on the internal control system, while in the Chapter on the prudential control process, amendments were made to: i) update the TOS for the economic value and enter the TOS for the interest margin, ii) identify the measurement methods under the regulations for calculating exposure to interest rate risk, iii) define the scope of supervisory powers with reference to interest rate risk and iv) define the CSRBB measurement expectations.

<u>43rd update of Circular 285/2015 "Supervisory provisions for banks" (19 December 2023) - Amendments to the regulations on large exposures</u>
The 43rd update amends the provisions on "Large exposures" with reference to financial conglomerates (Part II, Chapter 10). In particular, the amendments allow banks belonging to financial conglomerates to exclude from the calculation of large exposure limits those exposures, including in the form of equity investments, to other entities in their conglomerate that fall within the scope of supplementary supervision pursuant to the Financial Conglomerates Directive (FiCOD) 2002/87/EC.

<u>42nd update of Circular 285/2015 "Supervisory Provisions for Banks" (30 March 2023) - Amendments to the rules on covered bonds</u>
The 42nd update modifies Chapter 3, of Part III of the Circular, concerning the provisions on "Covered bonds". The amendments made to Chapter 3 of Part Three implement the new European regulations on covered bank bonds, implemented in Italy through the provisions contained in Chapter I-bis of Law 130/1999, which introduce a supervisory system on covered bond issuance programmes (Obbligazioni bancarie garantite - OBG), the responsibility for which is assigned to the Bank of Italy, and require that the launch of new issuance programmes be authorised in advance by the Bank of Italy.

The new rules:

- define the conditions for the issue by the Bank of Italy of the authorisation for the launch of new issuance programmes, and define the information that the requesting bank must transmit to the Bank of Italy, specifying in particular the content of the issuance programme, which must give account of the structural characteristics of the operation and indicate the parties participating in various capacities, as well as the report on the technical profiles and organisational structures for the management of the programme, in which the bank certifies the compliance of the objectives pursued by the programme with the risk levels defined in the Risk Appetite Framework (RAF);
- specify the application aspects of the structural requirements of the OBG, with regard to the identification of the criteria for the inclusion of specific assets in the segregated assets, including collateralised assets and hedging derivatives, hedging and liquidity requirements, as well as the conditions for attributing the "European covered bond" or "European covered bond (premium)" labels to issued securities.
- The Bank of Italy reserves the right to reconsider the choice made once it has received the required opinion of the European Banking Authority (EBA);
- introduce specific organisational and risk management controls for risks arising from the programme, including a requirement that participating banks have internal operating limits on the disposal of eligible assets that are consistent with the risk objectives and tolerance thresholds established under the RAF and that must be complied with, both at the authorisation stage and during the course of the programme (Sect. IV);
- provide for investor disclosure obligations (Sec. V) and specify the information and inspection supervisory powers vested in the Bank of Italy as the authority responsible for supervising issuance programmes (Sec. VI).

2.3 The national economic context

The Italian economy grew by 0.7% in 2023 after +3.7% in 2022, recording a slowdown in economic dynamics for the second consecutive year. After growing by 0.6% in the first three months of the year compared to the previous period, in the second quarter economic activity contracted by 0.3%, but then expanded again by 0.1% in the third quarter and 0.2% in the last three months of the year. At the end of 2023, GDP is therefore 3.6 percentage points above the pre-pandemic level of the end of 2019, but 1.7% below the all-time high reached in the first three months of 2008. The change acquired for 2024 (i.e. the average growth that would occur in the event of stagnation of the economy in each of the four quarters of 2024), is equal to +0.1%. According to the latest government projections contained in the Update of the DEF (Economic and Financial Document) of 27 September 2023, the Italian economy is expected to expand by 1.2% in 2024 and 1.4% in 2025. However, the government's estimates are decidedly optimistic compared to those of both the IMF and the European Commission, but also compared to those of the Bank of Italy. Indeed, according to the IMF's last projections in late January, Italy will only grow by 0.7% in 2024 and by just 1.1% in 2025, while the European Commission's November forecasts indicate growth of 0.9% and 1.2% respectively. Lastly, the Bank of Italy only expects growth of 0.6% in 2024, which should then be followed by an acceleration to 1.1% in 2025.
Positive signals came from the labour market in 2023. In fact, the unemployment rate continued to decline, standing at 7.2% in December, the lowest level in the last 15 years. Compared to the end of 2022, the unemployment rate therefore decreased by seven tenths. The number of employees rose during the year by 456 thousand units to 23.754 million (+2.0%), reaching a new high in the historical series. The increase in employment has involved men (+283 thousand), women (+172 thousand) and all age groups, with the exception of 35-49 year-olds due to the negative demographic trend. However, the increase in the number of employed persons in 2023 mainly concerned permanent employees, which grew by a good 418 thousand (+2.7%). Nonetheless, self-employed workers also increased, albeit to a much more limited extent (+42 thousand units), despite a slight decline in the permanent employees (-5 thousand units). The number of job

seekers, on the other hand, fell by 171 thousand to 1.829 million (-8.5%), the lowest level since April 2020, while inactive persons aged 15-64 decreased by 310 thousand to 12.306 million (-2.5%).
Consumer prices rose by 5.7% in 2023, after having risen by 8.1% in 2022, recording the most significant increase since 1985. This development was mainly affected by the easing of tensions on energy commodity prices. In fact, these increased by just 1.2%, after leaping by 50.9% in 2022. On the other hand, food prices rose by 9.8%, from 8.8% in 2022. Net of the food and energy component, consumer prices grew by 5.1% (+3.8% in 2022). The acquired inflation, or carryover, for 2024 (i.e. the average growth that would occur in the year if prices remained stable throughout 2024), is 0.1%.

2.4 The economic context in Northern Italy and Alto Adige

The economic context is outlined below, starting with the Bank's territory of origin and first reference market, i.e. the Alto Adige region, continuing with the other most important territories in which the Bank is present with its branches, i.e. Trentino and Veneto, and concluding with the Friuli-Venezia Giulia region, the main market of the subsidiary CiviBank.

Alto Adige

In the Alto Adige region, economic activity was also confirmed at high levels in 2023. However, roughly one in four companies claims an unsatisfactory profitability due to the increase in costs. From the most recent IRE (Economic Research Institute of the Chamber of Commerce of Bolzano) report, it emerges that the gross domestic product (GDP), according to IRE estimates in 2023 recorded a growth of 0.8%, after an increase of 7.1% in the previous year.
As regards the tourism sector, as the data of IDM Alto Adige show, the number of overnight stays in 2023 exceeded 36 million, up by 4.8% compared to the same period of the previous year.
The increase mainly concerns the presence of guests from foreign countries other than Germany, which grew by 16.9%. The overnight stays of German tourists rose by 4.5%, while the attendance of Italian guests decreased slightly (-2.4%), as can be seen from the latest report of the IRE - Economic Research Institute of the Chamber of Commerce of Bolzano.
In the retail sector, 90% of South Tyrolean (Alto Adige) companies consider profitability in 2023 to be satisfactory and look forward to 2024 with confidence. However, the assessments differ at the level of the individual segments: there is optimism especially in the supermarkets, mini-markets and department stores, where the climate of confidence is benefiting from the increase in turnover and sales prices. The greatest difficulties are observed in the street trade. The climate of confidence is also positive in the wholesale trade, where profitability in 2023 is deemed as satisfactory by 93% of companies. The increase in turnover was driven by larger companies, which most often increased their sales prices and managed to contain cost growth more effectively than the previous year.
The climate of confidence of South Tyrolean manufacturing, on the other hand, worsened slightly, mainly due to the weakening of demand in markets outside the province. In any case, 85% of manufacturing companies are confident of at least satisfactory profitability in 2023. Employment also continues to grow: in September, the number of employees exceeded 35,300, with a slight increase of 1.0% compared to the same month last year.
Foreign trade remains an important driving force for the Alto Adige economy. Goods were exported from Alto Adige for a total value of almost Euro 1.7 billion (-2.9% compared to the same period in 2022). The decrease mainly concerned means of transport (-30.4%), chemical and pharmaceutical products (-23.0%) and metals and metal products (-22.0%). The largest increases were recorded for machinery and mechanical equipment (+15.4%) and for agricultural products (+11.1%).
Analysing the data by country, there was a particularly significant increase in exports to Spain (+32.4%), Belgium (+24.4%) and China (+19.6%). On the other hand, a sharp decrease was recorded for exports to

Sweden (-32.1%). The decline also involved the main trading partners of Alto Adige, Germany (-6.0%) and Austria (-1.4%).
The number of employees in Alto Adige averaged around 266,000, while 4,400 people were looking for work. Compared to the same period last year, both the number of employed persons (-0.3%) and the number of job seekers (-2.1%) decreased. The unemployment rate is confirmed at extremely low levels at 1.6%, in line with the 2022 figure.

Trentino

With regard to the economic situation in the Trentino region, the economic survey, carried out by the Trento Chamber of Commerce, shows a 1.4% growth in business turnover compared to the corresponding quarter of 2022. This change confirms the signs of a slowdown in the local economy as growth was 11.5% the previous year. The overall result is supported by local demand, up 5.9% compared to the same period of the previous year, which offsets the negative results of domestic demand (-0.3%) and foreign demand (-8.6%), which show negative signs. The sectors that are characterised by a decidedly positive change in turnover on a trend basis are construction (+ 17.6%), retail trade (+6.7%) and business services (+4.9%). The manufacturing sector, which is more exposed to the dynamics of the international economy, instead shows a significant contraction in sales (-7.1%), while wholesale trade remains substantially stable (-0.1%).
Exports are down (-2.8%), as shown by the data of the Trento Chamber of Commerce, compared to the corresponding quarter of 2022.
With reference to Trentino area tourism, the winter season, which ended at the end of April 2023, was positive, with overnight stays at +4.1%, exceeding 7 million and representing the best result in the last 10 years. The summer season 2023 (months from June to September), on the other hand, totalled almost 10 million overnight stays; however, recording a slight decrease of 1.6%; this is a substantially good result, considering the exceptional nature of the tourist flow in the summer of 2022, as highlighted by the Institute of Statistics of the Province of Trento (ISPAT).
In terms of employment, the number of employees is close to 248 thousand, up by 0.8% on an annual basis, as indicated by the data of the Institute of Statistics of the Province of Trento (ISPAT). The increase in employment is mainly attributable to the female component (+1.9%), while the male component remained substantially stable (-0.1%). The unemployment rate fell to 3.4%, with an annual decline of 1.2 percentage points.

Veneto

In the Veneto region, in 2023, GDP growth is expected to be 0.8% (4.9% in 2022), as shown in the latest Veneto Region socio-economic Bulletin. In detail, Veneto exports recorded a stable trend (+0.7%). Veneto's exports are driven by the mechanical equipment, agri-food production, optical and medical equipment sectors. Among the target markets, there was a significant increase in exports to France, Turkey and Germany, while sales to some of the other main markets such as the USA, China, the UK and Austria showed the opposite trend.
As regards the tourism sector, in the first eleven months of 2023, more than 71 million overnight stays were exceeded, recording an increase of 8.2% compared to the same period of the previous year. A boom in foreign tourists should be noted, up considerably compared to the previous year (overnight stays +12.3%).
In the manufacturing industry, according to the Veneto Unioncamere survey, at sector level, the economic activities that are growing compared to the same period in 2022 are paper and printing (+6.4%), the manufacture of means of transport (+3.4%) and machinery and mechanical equipment (+3.3%). The food and beverage sector recorded a positive but less marked change in production (+0.7%), while production for the other sectors decreased. The greatest decreases were recorded in the manufacture of rubber and plastic materials (-9.9%), in the wood products and furniture industry (-7.7%) and in the production of electrical and electronic machines (-7.6%).

Employment is improving, as the Veneto Region's latest Socio-Economic Bulletin shows: the number of employed people is up by more than 3% compared to a year earlier, mainly thanks to the female component, which is growing by more than 6%. This trend is reflected in the growth in the employment rate, which reaches an employment rate of the total population of 70% compared to 67.8% a year ago.

Friuli-Venezia Giulia

During 2023, the slowdown in economic growth in Friuli-Venezia Giulia continued, which began in 2022; the quarterly indicator of the regional economy, prepared by the Bank of Italy, rose by 0.9% compared to the same period of the previous year, in line with the trend of Italian GDP. Growth was concentrated in the first quarter and then cancelled out in the second; services and construction continued to make a positive contribution, which was offset by the negative performance of industry as a whole.

In 2023, industrial activity in the region decreased. From the Confindustria Friuli-Venezia Giulia survey, industrial production at constant prices fell by 6.8% compared to the same period of the previous year. Sales in real terms fell by 4.2%; the decrease was more significant for the internal component. The negative trend concerned in particular the wood and furniture and the metallurgy sectors, while the mechanics sector recorded an increase in sales.

Investments stagnated, also held back by the increase in the cost of credit. The short-term expectations of industrial companies at the beginning of the autumn point to substantial stability in economic activity; investment plans for 2024 remain cautious.

In 2023, construction growth slowed significantly and trade on the real estate market decreased. Private non-financial services continued to benefit from the good trend in tourist numbers, while the flow of goods in the port of Trieste decreased.

The drop in energy costs contributed to supporting the profitability of companies; the liquidity reserves, which remained high, benefited. Bank lending to businesses decreased, affected by a tightening of financing conditions and a reduction in demand.

Overall employment decreased slightly; the employee component showed a more favourable trend in services, in particular for tourism, and in fixed-term contracts. The use of wage subsidy instruments returned to growth after a sharp decrease in the previous two years.

In 2023 the expansion of household consumption is estimated to slow down markedly as a result of inflationary pressure and the resulting erosion of purchasing power of incomes. In the first half of 2023, loans to households decelerated significantly in relation to the higher cost of mortgages for the purchase of homes and the weakening of demand. In the first half of 2023, loans to the non-financial private sector declined, particularly those to businesses.

Credit quality remained basically stable. Household and corporate bank deposits declined slightly, with the contraction of current accounts only partially offset by the increase in the savings component. Securities held in custody at household and corporate banks increased, partly due to the higher nominal yields offered.

2.5 The financial context

Interest rates and bond markets

For most of 2023, the rate hike cycle in the major advanced countries continued, with the notable exception, however, of Japan, where monetary policy remained ultra-accommodative. In the US in the first seven months of the year, the Federal Open Market Committee (FOMC), the monetary policy committee of the Federal Reserve (Fed), raised fed funds rates by another 100 basis points (1 basis point = 0.01%) to 5.25-5.50%, after having already raised the cost of money by 425 basis points during 2022. This is the highest level since March 2001 and the most aggressive monetary tightening since back in 1980 when the cost of money was raised by 10.5 percentage points in just four months. In any case, 2024 should see a turnaround in rates. In fact, the so-called dot-plot-chart of December, which summarises the estimates of the rate curve by the individual FOMC members, projects a cut in the cost of money by 75 basis points in 2024, to be followed by further rate cuts of

100 basis points in 2025. In the meantime, the Quantitative Tightening (QT) program continues. In fact, on a monthly basis, the Fed does not renew USD 95 billion in maturing securities (60 billion in Treasuries and 35 billion in mortgage-backed securities). In the United Kingdom, on the other hand, the Bank of England (BoE) raised the cost of money by 175 basis points in 2023, bringing its reference rate, the "bank rate", to 5.25%, after having already raised it by 340 basis points in 2022, while in Switzerland, the Swiss National Bank (SNB) raised its reference rate to 1.75%, from 1.0% at the beginning of the year.

Finally, in the Eurozone, the ECB raised rates in 2023 by another 250 basis points, after having already increased them by 200 basis points in the second half of 2022. After raising the cost of money at each of the first ten meetings of 2023, in October and December the ECB confirmed the deposit rate at 4.0%, the highest since the introduction of the Euro. In view of the continuing excess of reserves in the banking system, the deposit rate is currently still more important to the financial markets than the main refinancing operations rate (the so-called "refi rate") of 4.5%. On the other hand, with regard to unconventional monetary policy instruments, including the APP (Asset Purchase Programme) and PEPP (Pandemic Purchase Programme) created in recent years to make monetary policy even more expansive and to counter the risks to its orderly transmission arising from a sharp widening of spreads on government bonds, only part of the capital repaid on maturing bonds under the APP was reinvested from March onwards, and this reinvestment ceased altogether from July. As regards the PEPP, in December it was decided that reinvestments will continue in full only in the first part of 2024, while in the second part of the year the PEPP portfolio will be reduced by EUR 7.5 billion per month, then ending the reinvestments at end of 2024. The PEPP is characterised by greater flexibility than the FPA in that it allows deviation from the capital key.

The further tightening of monetary policy was also reflected in interbank rates. In fact, the 3-month Euribor continued to rise during 2023, reaching 4.00% in October and November, its highest level in almost 15 years, before closing the year at 3.91%. The interbank rate therefore rose by 178 basis points in 2023. As far as expectations on short-term rate developments are concerned, these increased further for maturities up to April 2024, while falling sharply for maturities beyond that date. Therefore, the 3-month Euribor forward curve, derived from futures contracts, became even more steeply inverted for maturities up to September 2025, while showing a slightly positive trend for later maturities. Based on the prices at the end of 2023, the 3-month Euribor should fall to 2.3% by the end of 2024, before reaching a low of around 1.9% in September 2025.

After the sharp fluctuations in the first three months of 2023, yields on medium- and long-term Eurozone government bonds rose sharply in the second and third quarter, reflecting the further tightening of monetary policy, but also growing convictions that the ECB's reference rates could remain at higher levels for a longer period than still expected at the beginning of the year. In the last three months of the year, however, the hope that the peak of rates has now been reached and that a reduction in rates is possible as early as the first half of 2024, thanks also to the sharp drop in inflation, has encouraged a strong reversal in yields. In fact, the yield on the Bund, Germany's 10-year government bond, ended 2023 down 55 basis points at 2.02%, after briefly exceeding the 3% threshold in October, the highest since July 2011. In 2023, however, the yield of the Schatz, the German 2-year bond, also fell by 36 basis points to 2.40%, after reaching 3.38% in March, a high since October 2008. The yield curve therefore remains inverted as the yield of the 2-year bond exceeds that of the 10-year bond by 38 basis points. In the course of 2023, the inversion of the yield curve had briefly reached 82 basis points, a level not reached since 1992.

Lastly, as regards long-term Italian government bonds (BTPs), these also showed strong fluctuations in the first three months of the year. The sharp drop in yields in the first half of January, linked to weakening energy prices and in particular natural gas prices listed on the TTF in Amsterdam, was followed by a sharp rise, caused by expectations of more marked rate hikes by the ECB. In March, however, expectations of such rate hikes largely receded in the light of the difficulties encountered by several US regional banks (first and foremost

Silicon Valley Bank and Signature Bank, but also First Republic Bank) and Credit Suisse (later bought by compatriot UBS under pressure from the Swiss authorities). The turbulence in the banking sector and fears about its solidity have favoured "flight to quality" trends, i.e. a move towards safe-haven assets, therefore pushing down government bond yields globally. After fluctuating in the first three months of the year between a low of 3.7% and a high of around 4.7%, the yield on the ten-year BTp subsequently moved in a much narrower range, i.e. between 4.0% and 4.45%, until mid-September, before touching a high since November 2012 at 5.05% in October, not escaping the global bond performance, and in particular the US Treasuries, which were penalised by the surprising resilience of the world's leading economy and therefore by growing fears that rates in the United States could remain at higher levels for a longer period. However, since mid-October, BTP yields have fallen significantly in the wake of the global bond trend, also benefiting from the confirmation of Italy's creditworthiness by the most important rating agencies. Furthermore, Moody's, the only agency that placed the rating at the bottom of the investment grade, improved the surprise outlook from "negative" to "stable". The yield of the ten-year BTP ended the year at 3.70%, down by 102 basis points compared to the level at the end of 2022. On the other hand, the spread (yield differential) against the Bund fell in June to 156 basis points, the lowest since April 2022, benefiting from Italy's good growth data in the first months of the year, only to return in October, after a few months of mostly lateral movement, temporarily above 200 basis points, to the highest level since the beginning of the year, affected, among other things, by a certain nervousness in anticipation of the feared rating agency decision. In addition to the generalised wave of sales on global bonds (the Bund yield briefly exceeded the psychological threshold of 3% and the ten-year US Treasury reached 5%, touching the highest levels since July 2011 and July 2007 respectively), however, the unambitious deficit and public debt reduction targets contained in the NaDEF (Note updating the Economic and Financial Document), government growth estimates for 2024 considered too optimistic by the market, and concerns that the ECB might anticipate the end of reinvestments of bonds redeemed under the PEPP programme also weighed heavily. The confirmation of creditworthiness by the main rating agencies, however, favoured a new narrowing of the spread, which ended the year at 168 basis points, down by 47 basis points compared to the level at the end of 2022.

Despite the high volatility on the secondary market, thanks to the sharp drop in yields in the last months of the year (and the consequent sharp increase in prices), in 2023 Italian government bonds rose by 9.3% at index level while the sovereign bonds of the Eurozone countries limited the increase to 7.1%. By contrast, euro-denominated investment grade corporate bonds (corporate bonds) increased by 8.2%, and euro-denominated non-investment grade corporate bonds (high-yield bonds) gained as much as 12.1% despite the deteriorating growth outlook and the increasing risk of higher default rates. For Italian government bonds, as well as for sovereign bonds of Eurozone countries and for corporate bonds, this is the first year of positive performance after two consecutive years of losses. The yield of corporate bonds fell in 2023 by 75 basis points to 3.52% and that of high yield bonds even by 131 basis points to 6.51%, after having reached a maximum in October of almost 12 years at 4.65% and ten and a half months to 8.32%. As a result, the spread of corporate bonds over Eurozone government bonds narrowed by 30 basis points to 137 basis points, after having jumped in the second half of March, in the wake of the turmoil in the financial markets caused by the difficulties of some regional banks in the United States as well as Credit Suisse in Europe, to 199 basis points. The spread of high yield bonds, on the other hand, ended the year down by 107 basis points to 383 basis points, after having pushed up to 552 basis points in the second half of March. The yield spread on corporate bonds at the end of 2023 is therefore still above the average value of the last 10 years, at around 120 basis points, in contrast to the spread on high-yield bonds, whose average value over the last 10 years is 385 basis points.

Stock markets

Albeit with ups and downs, in 2023 the main international lists continued to recover from the lows reached between the end of September and the beginning of October 2022. Quotes were supported by a variety of factors, including easing inflationary pressures and the hope that the rate peak is near (although moving it further and further back in the course of the year), but also euphoria over the artificial intelligence issue. However, in mid-March, volatility increased temporarily, reflecting growing fears for the stability of the banking system following the failure of two regional banks in the United States and the bailout of Credit Suisse by the compatriot UBS. The major stock exchanges also made significant corrections between August and October, primarily affected by the surge in US Treasury yields in the wake of the surprisingly resilient US economy and growing concerns that rates could remain at higher levels for longer. However, China's weakness and, in particular, the continuing difficulties in the real estate sector, the temporary surge in oil prices following the announcement of voluntary extraction cuts by Saudi Arabia and Russia (thus risking complicating the central banks' fight against inflation) also weighed heavily, as well as, since October, the escalation of tensions in the Middle East after the terrorist attack by the Palestinian group Hamas against Israel and Tel Aviv's harsh reaction, but also the announcement of disappointing quarterly reports and/or guidance by several European and US companies. From the almost seven-month lows reached by global equities in local currencies at the end of October, however, there was then a violent rebound that pushed them to their highest levels since January 2022, reflecting growing convictions that the rate peak has also been reached in the US and that a turnaround is possible as early as the first part of 2024.

Global equities rose in 2023 by 21.1% in local currency terms (but only 17.9% in euro terms due to the concomitant strengthening of the single currency), but fell by 17.4% in 2022. US equities performed even better, rising by 24.2% (+20.3% in euro). However, the exceptional performance is largely explained by the so-called "Magnificent 7", i.e. the seven technological megacaps Apple, Microsoft, Alphabet (the parent company of Google), Amazon, Nvidia, Meta Platforms (formerly Facebook) and Tesla. However, European equities also performed very positively, ending the year up 12.7%, while in Milan the blue chip index jumped as much as 28.0%, recording the best performance among the major European stock exchanges. Both US and European shares updated their highs since January 2022, while Milan reached the highest levels since July 2008. At the same time, emerging market equities continued to disappoint overall. Although up, they only gained 7.1% in local currency and just 3.6% in euro. In local currency, however, this is the first increase after two consecutive years of decline, the longest negative run since at least 1988. The equities of emerging countries were affected in particular by the weakness of Chinese "offshore" equities, i.e. those listed abroad, primarily in Hong Kong and New York, down for the third consecutive year (-13.2%), the longest negative run since 2002. However, the 300 largest companies listed on the Shanghai or Shenzhen stock exchanges (-11.4%) were also down. In March, amid growing fears about the soundness of the US banking system, and in particular the regional banking system, there was a sharp increase in volatility (which rose above 30 for both the VSTOXX and the VIX, the two indices measuring the implied volatility of the EuroSTOXX 50 and the S&P 500 respectively), but this was quickly rectified thanks to the timely intervention of the various authorities. Between April and October, the VSTOXX fluctuated mostly between 15 and 21, before reaching a seven-month high at 24 in October, in the wake of the escalation of tensions in the Middle East. Finally, in the last months of the year, coinciding with the violent rebound of the major stock exchanges, implied volatility fell sharply and the VSTOXX briefly dropped to the 12 area, the lowest level since January 2020.

Forex

The euro continued to appreciate against the main currencies, albeit with highs and lows, until mid-July, from the lows of more than six and a half years reached in August 2022. In fact, the nominal effective exchange rate of the single currency, which measures its performance against the currencies of the Eurozone's 18 main trading partners, briefly exceeded 100, its highest level in more than two years, but then lost ground and closed the year at 98.62 (+1.4%), thus significantly reducing the 2.9% appreciation recorded in mid-July. During the course of the year, the single currency was primarily affected by expectations on monetary policy (these changed several times), as well as by the climate of greater or lesser risk appetite in the markets. The euro appreciated especially against the Japanese yen (+10.9%), updating its highest since August 2008 to 164.30

yen on 16 November. The Japanese currency continued to be affected by the Bank of Japan's (BoJ) ultra-accommodating monetary policy, which confirmed its benchmark rate at -0.1%, while adopting some changes to its yield curve control policy. In fact, in July the ceiling for the yield on ten-year Japanese government bonds was raised from 0.5% to 1.0%, while in November the commitment to defend it every day was cancelled. However, the Euro also strengthened against the US dollar (+3.1%), although it fluctuated widely during the year. In fact, the exchange rate surged in mid-July to USD 1.1276, the highest level since February 2022, benefiting from the ECB's aggressive rate hikes, but then fell in early October to USD 1.0448, the lowest level since December 2022, with the US dollar temporarily supported by the surprising resilience of the world's leading economy and growing expectations that rates in the United States could remain at higher levels for a longer period. However, in the last three months of the year, the single currency recovered ground again, ending the year at USD 1.1039. In the course of 2023, however, the euro weakened significantly against the Swiss franc (-6.2% to CHF 0.9290), reaching a low since January 2015 at CHF 0.9255 at the end of the year. In the last months of the year, the Swiss franc, as a safe haven asset, benefited from the escalation of tensions in the Middle East. However, during 2023, the Swiss currency was also supported by significantly lower inflation in Switzerland compared to the Eurozone. In fact, the Swiss National Bank (SNB) raised its benchmark rate by only 75 basis points to 1.75%. The euro also lost ground against the British pound (-2.1% to 0.8670 pounds), although it fluctuated widely during the year. In fact, after hitting a high of 0.8980 pounds in February, the single currency fell to the 0.8490 pound area in August, a 12-month low, before returning temporarily above 0.8750 pounds in November.

2.6 The credit system

Dynamics of bank lending

In December 2023, loans to businesses and households decreased by 2.2% compared to a year ago.
This emerges from estimates based on data published by the Bank of Italy on loans to businesses and households (calculated including securitised loans and net of changes in stocks not related to transactions, e.g. changes due to exchange rate fluctuations, value adjustments or reclassifications).
In November 2023, loans to businesses and households recorded an overall decline of 3.0% on an annual basis (4.8% and 1.2%, respectively).

Interest rates on loans

In December 2023, as a result of the ECB rate hikes, interest rates on lending transactions moved as follows:

- the average rate on total loans is 4.76%;
- the average rate on new business loan transactions is 5.69%;
- the average rate on new home purchase transactions is 4.42%.

Credit quality

Net bad loans (i.e. net of write-downs and provisions already made by banks with their own resources) as at November 2023 amounted to Euro 17.7 billion, slightly up (about 220 million) from the previous month and about Euro 1.6 billion higher than in November 2022.
Compared to the maximum level of net bad loans reached in November 2015 (88.8 billion), the fall was 71.1 billion.
The ratio of net bad loans to total loans was 1.05% in November 2023 compared to 0.92% in November 2022 (4.89% in November 2015).

Dynamics of customer funding

In Italy, medium- and long-term funding through bonds increased year-on-year in December 2023 (+19.1%), showing a positive figure compared to the previous month (+18.6%). There was, however, a contraction in the

figure for deposits alone, which, in their various forms, decreased by -3.8% in December 2023 compared to the previous year (-4.1% in November 2023).
Indirect funding (investments in securities held with banks) increased by more than Euro 207 billion between November 2022 and November 2023 (125.4 billion households, 24.2 companies and the remainder pertaining to other sectors, financial companies, insurance, public administration).
The positive increase in indirect funding was partially cooled by the decrease in direct funding (deposits from resident customers and bonds) of 1.5% year-on-year in December 2023 (-1.7% in November 2023).

Interest rates on funding

In December 2023, the average rate on total deposits (certificates of deposit, savings deposits and current accounts) increased to 0.96 (0.32% in June 2022). The average rate applied to new deposits with a fixed term (certificates of deposit and term deposits) rose to 3.91% in December 2023. In November 2023, this rate was higher than the euro area average (Italy 3.82%; Euro area 3.56%). Compared to June 2022, when the rate was 0.29% (last month before the ECB rate hikes).
Lastly, the rate on current account deposits alone increased to 0.53%, taking into consideration that the current account allows the use of a multitude of services and does not have the function of an investment, and the yield on new issues of fixed-rate bank bonds in December 2023 is 3.15%, a sharp increase compared to June 2022 when it was 1.31%.

Margin between lending rate and funding rate

The margin (spread) on new business (difference between rates on new loans and new funding) with households and non-financial corporations in December 2023 was 220 basis points, lower than the more than 300 basis points before the financial crisis (335 basis points at the end of 2007).

3 The group's position

It should be noted that for the Sparkasse Group, the financial year 2022 was marked by the successful conclusion of the merger transaction that saw, as of 06 June, the entry of Banca di Cividale S.p.A. into the group following the success of the takeover bid launched concerning all the ordinary shares of the Bank and all the warrants issued by the latter. The second part of 2022 therefore saw the Sparkasse Group focused on the progress of projects relating to the integration process.
The integration process proceeded in 2023, with the integration and centralisation of the main business functions, and with the transition, in July, of the subsidiary CiviBank to the IT system of the outsourcer Cedacri.
From the point of view of the context in which the Group operates, 2023 saw a better-than-expected development of the world economy, supported by the Chinese recovery, after the lifting of restrictive measures to counter the spread of the pandemic, and the good performance of the United States. The EU countries, on the other hand, saw contrasting trends, with Germany being in recession and Italy, on the other hand, registering an expansion in business, driven mainly by services and construction.
The second part of the first half of the year saw the first decreases in inflation for food and non-energy industrial goods, which began to incorporate the substantial reduction in energy input prices.
The 2023 financial year ended for the Parent Bank with a positive result in line with expectations and the result of the good work of all the structures of Cassa di Risparmio di Bolzano and also of the Group, and the good business performance achieved.
With reference to the subsidiary CiviBank, it should be noted the continuation of the "Integration Programme" in the new banking group, which entailed the gradual adjustment and alignment to the Parent Bank's policies, especially with regard to value adjustments on impaired positions. The new credit policies also led to the recognition of substantial provisions for credit risk in 2023, to which is to be added the sale, mainly concentrated in the second part of the year, of some assets of the portfolio of impaired loans, for a total

amount of Euro 28.9 million. These actions, which have partially impacted the result achieved in 2023 by CiviBank, are of particular importance, because they have made it possible to anticipate the achievement of the de-risking objectives set out in the 2022-2024 NPL Plan.
The excellent result achieved is reflected in the consolidated net profit achieved by the Parent Company, which reached Euro 78.2 million, while the Group's overall net result came to Euro 82.2 million.

The focus on risk containment is constant, with the indicator measuring the riskiness of the loan portfolio stood at 3.8%, which net of allocations corresponds to a value of 1.9%; this latter figure is also in line with that of 2022. The levels of coverage of non-performing loans stood at 50.9% at the end of 2023. This level in the consolidated configuration is penalised by the treatment of the CiviBank portfolio at fair value at the consolidation date, with the simultaneous reversal of the adjustment provisions. The coverage of the amount of the portfolios of the two banks, reaches instead a much higher value, equal to 58.7%.

As part of its risk containment activities, deriving also from the current macroeconomic context, the Group carefully monitors the performance of its credit exposures in order to intercept any situations of difficulty at an early stage and take consequent action to support its customers and avoid deterioration of creditworthiness. As part of this activity, Sparkasse is closely monitoring the economic, asset and financial performance of Waltherpark S.p.A., a real estate company in which the bank has a credit facility as part of a bank pool financing transaction, although not in the position of a lead partner. This company, which is part of the Signa Prime Selection AG group and is subject in Austria to a self-directed insolvency procedure set forth in the Austrian law, is carrying out a real estate initiative in the center of Bolzano, already at an advanced stage, which will presumably be completed within the first half of 2025.

In terms of strength, the capital ratios were at a more satisfactory level, definitely increasing compared to the values at the end of 2022, with the CET1 ratio at 14.09%, and the TC ratio at 15.48% (both ratios are represented in the IFRS 9 phased-in configuration).

It should be noted that, since 30 June 2022 was identified as the accounting date for the acquisition of CiviBank, a consistent comparison between the 2023 and 2022 income statement figures at consolidated values is not possible. In fact, the consolidation of the financial statement items only on the second half of 2022 does not allow a meaningful and correctly interpretable comparison of the trends of the economic items of the financial statements.

Given the above, it is worth emphasising the good performance of the 2023 income statement, which is the result of a mix of factors that have allowed revenues in the core segments to substantially hold up, with net interest income standing at Euro 301.5 million and net income from services reaching a remarkable Euro 131.2 million, a figure that is slightly higher than the previous year with respect to the Parent Company. The Financial Margin decreased as a result of the absence of certain non-recurring items 2022 of the Parent Company, including the recognition of write-backs on certain impaired positions subject to disposal. There were also the negative effects of the reduction in the fair value of some interest rate risk hedging derivative contracts entered into by the Parent Company (Euro-3.0 million), offset by capital gains on mutual fund shares in the amount of Euro 4.0 million. CiviBank's contribution to this item was negative due to the recognition of losses from the sale of a non-performing loan portfolio.

The cost of credit risk amounts to a total of Euro 43.6 million with reference to the cash loans component, while for the endorsement loans component, the again negative value came to Euro 5.0 million. The figure for the cost of credit risk was still affected by the substantial adjustments recorded mainly by the subsidiary CiviBank as a result of the continued alignment with the Parent Bank's policies on credit risks.

Net operating costs amounted to Euro 274.4 million. At the individual bank level, the Parent Company's operating costs decreased as a result of the recognition in 2022 of some non-recurring items related to personnel costs, primarily the cost of the early retirement scheme, in addition to costs related to the business combination. The same trend concerned the subsidiary CiviBank, where the incidence of non-recurring negative components in 2022 was even more significant. As a result of the trend between costs and revenues, the Cost-Income-Ratio efficiency indicator remains at a level considered satisfactory, equal to 59.0%.

With regard to the evolution of assets under management, the total volume of gross loans at 31 December 2023, equal to Euro 9.914 billion, saw the aggregate decrease compared to the previous year. The trend is not homogeneous for the two Group banks (Cassa di Risparmio di Bolzano up + 1.0% and CiviBank down - 10.5%). New mortgage loans during the year amounted to Euro 1,372 million, of which Euro 1,004 million in favour of businesses, and Euro 368 million in favour of households.

Direct funding totalled Euro 12.202 billion, represented by current accounts, deposits, lease payables and bonds amounting to Euro 11.609 billion and MTS repo transactions for Euro 428.8 million (Cassa di Risparmio di Bolzano +5.7% and CiviBank - 0.8%, excluding MTS repo transactions). The growth, which has been constant in recent years, testifies to the confidence of customers in the Group. Assets under management can instead be considered one of the main parameters for an advisory bank and refers to the volumes of customer savings in investment funds. With reference to this segment, the change in assets under management, as the sum of the two banks, was decidedly positive (+10.6%), thanks to the positive trend in net flows, in addition to the increase in the fair value. The consolidation of assets under management is an important indication of the increasing capacity of the Cassa di Risparmio di Bolzano Group to accompany its customers with competence in the specialised management activities of the savings.

The constant trend of positive results in recent years, confirmed by the result for the year 2023, obtained by the Group in the new configuration in which CiviBank has made its contribution with reference to the entire time span, are confirmation of the excellent work carried out during a financial year characterised by instability and a generalised contraction in the volume of banking assets, especially with regard to loans. This testifies to how the Parent Company, in particular, has been able to consolidate a relationship of trust with its customers by offering them the opportunity to diversify their range of services with increasing success. The further growth of the stock of assets under management in 2023 confirms the new Group's ability to consolidate, even at this stage, its leading position in this specific market sector of high value-added services.

3.1 Operating performance and consolidated income statement

For the Cassa di Risparmio di Bolzano Group, 2023 was the first financial year that benefited for the entire year from the conclusion of the merger of Banca di Cividale S.p.A., which was completed on 6 June 2022 following the positive outcome of the takeover bid launched by the Parent Company.

From the point of view of the context in which the Group operated, 2023 was characterised by a scenario of absolute uncertainty that was still affected by the impact of the increase in the cost of raw materials recorded as early as 2022, the hike in interest rates and the complex geo-political scenario. Despite the persistence of uncertainty, 2023 ended for the Cassa di Risparmio di Bolzano Group with very positive results.

The excellent result achieved is reflected in the consolidated net profit, which reached Euro 78.2 million.

The focus on risk reduction is constant, with the indicator measuring the riskiness of the loan portfolio standing at 3.8% gross, which after provisions corresponds to a value of 1.9%. The levels of coverage of non-performing loans stood at 50.9% at the end of 2023 compared with 47.5% in the previous year. The coverage of the amount of the portfolios of the two banks instead stood at 58.6% compared to 58.1% at the end of 2022.

In terms of soundness, capital ratios strengthened significantly, also thanks to the synthetic securitisation transaction, reaching a CET1 ratio levels of 14.09%, while the TC ratio was 15.48% (both ratios are represented in the IFRS 9 phased-in configuration).

Considering that the subsidiary CiviBank became part of the Cassa di Risparmio di Bolzano Group only as of 30 June 2022 (accounting date of the business combination), the comparison of the income statement data with those of the previous year is not significant.

Having said this, it is worth emphasising the excellent performance of the 2023 income statement, with net interest income reaching Euro 301.5 million and net income from services a record Euro 131.2 million, a figure that is slightly higher than the previous year, particularly for the Parent Company. On the other hand, the Financial Margin decreased drastically as a result of the absence of certain non-recurring items 2022 of the Parent Company, including the recognition of write-backs on certain impaired positions subject to disposal. There were also the negative effects of the reduction in the fair value of some interest rate risk hedging derivative contracts entered into by the Parent Company (Euro -3.0 million), offset by capital gains on mutual fund shares in the amount of Euro 4.0 million. The contribution to this item by CiviBank is negative due to the recognition of losses deriving from the sale of a portfolio of non-performing loans.

The cost of credit risk totalled Euro 43.6 million, in line with Euro 43.1 million of 2022 with reference to the cash loans component, while for the endorsement loans component, the value of provisions amounted to Euro 5.0 million.

Net operating costs amounted to Euro 267.8 million (net of provisions for risks and charges), up by 8.5% compared to the previous year, in which, as already specified, the contribution of the Bank of Cividale is limited to the second half of the year only. Some non-recurring components relating to personnel costs had an impact on total operating costs, first and foremost, in 2022, the cost of early retirement scheme, in addition to costs linked to the business combination. As a result of the trend between costs and revenues, the Cost-Income-Ratio efficiency indicator stood at 59.0%.

As regards the evolution of assets under management, the total gross lending volume as at 31 December 2023, amounting to Euro 9.914 billion, saw the aggregate decline slightly compared to the previous year, in line with the general contraction of credit disbursements at the system level, negatively affected by rising interest rates. Despite this scenario, new loans remain satisfactory amounting to Euro 1,372 million, of which Euro 1,004 million in favour of businesses, and Euro 368 million in favour of households.

Direct deposits consisting of current accounts, deposits, leasing liabilities and bonds reached Euro 12.202 billion, stable compared to the previous year (Euro 12.273 billion). The change in assets under management, understood as total deposits, as the sum of the two banks, grew by 2.4%.

The growth in the stock of assets under management is remarkable (+14.7%) which, even in 2023, underlines the new Group's ability to maintain a leading role in this specific market sector of high value-added services, even in a complex phase.

A brief comment is provided below on the performance of the main income statement aggregates, which do not appear to be significant following the entry of Banca di Cividale into the Group, effective only from the second half of 2022, while for 2023 the contribution is full. Therefore, the main trends referring to the Parent Company are taken into account, while for CiviBank the contribution values for the various aggregates are reported.

It should also be noted that the 2022 consolidated income statement also incorporated the value of the "badwill", realised in relation to the business combination, adjusted for the amounts allocated following the PPA (purchase price allocation) process, i.e. the process of allocation of the price of the purchase of the assets and liabilities of the acquired entity, based on the fair value measurement of the assets acquired. During the second half of 2022 and throughout 2023, the effects of the partial reversals of PPA components were also recorded in the income statement.

The consolidated Net interest income amounted to Euro 301.5 million.

Interest income and expense were strongly affected by the increase in rates and recorded significant increases in both components; on the Parent Company's side, there was a slight decrease of -2.7% in the interest margin, against the increase in interest expense relating to the remuneration of direct funding, which went from Euro 18.4 million at the end of 2022 to Euro 184.8 million at the end of 2023, and which reflects the focus placed by the Bank on the customers, offering attractive remuneration on various products offered. This higher cost was not fully offset by the higher interest income collected by the Bank on loans and on the securities portfolio. Net interest income was also negatively affected by the increase in rates on TLTRO III refinancing transactions with the ECB.

The subsidiary CiviBank contributed Euro 90.6 million to the result, with a PPA reversal amounting to Euro +11.6 million.

With regard to the Income from services, the annual total amounted to Euro 131.2 million.

A very good result was recorded for the Parent Company, which managed to further improve the record result achieved in the previous year (Euro +1.2 million).

The contribution to the Income from services of the subsidiary CiviBank amounted to Euro 35.9 million.

The Group's Financial margin for 2023 amounts to Euro -1.3 million.

The Parent Bank's total amounted to Euro +2.9 million, while CiviBank contributed a negative result of Euro -0.3 million. A capital loss of Euro 3 million refers to a value adjustment on a financial instrument accounted for by the subsidiary Sparim.

The negative effects of the reduction in the fair value of certain interest rate risk hedging derivative contracts entered into by the Parent Company weighed on the financial margin (Euro -3.0 million), offset by capital gains on mutual fund shares in the amount of Euro 4.0 million, as well as the presence of certain non-recurring items recorded in the previous year.

Net value adjustments/write-backs for cash credit risk in 2023 were negative for a total of Euro 43.6 million; with reference to the Parent Company, the provisions amounted to Euro 16.5 million, while the subsidiary CiviBank booked provisions of Euro 27.7 million, which net of the release of the purchase price allocation effects become Euro 27.4 million.

Consolidated “Administrative expenses” amounted to Euro 263.0 million, recognised net of intercompany derecognition. The portion pertaining to Cassa di Risparmio di Bolzano, before intragroup derecognitions, decreased by 2.2% from Euro 190.1 million in 2022 to Euro 185.8 million in 2023. The decrease is mainly attributable to some non-recurring items, such as the cost of the early retirement scheme recorded in 2022 for Euro 12.2 million in the Parent Company alone, and the release recorded in 2023 (Euro +2.6 million) against the definition of the employees who will adhere to this scheme.

The "Administrative expenses" of CiviBank amounted to Euro 77.4 million, before intra-group adjustments; the amount of expenses pertaining to the other Group companies is lower.

"Net provisions for risks and charges" amounted to Euro 6.6 million. Cassa di Risparmio di Bolzano contributed Euro 6.7 million, a sharp increase compared to 2022, a year in which the total amounted to Euro 4.0 million. The increase is attributable to provisions on commitments and guarantees issued, which amounted to Euro 5.2 million compared to Euro 2.7 million in 2022. The total of the item pertaining to CiviBank amounts to Euro 2.0 million, while Sparim reports write-downs for Euro 2.1 million.

Items 210 and 220 "Net value adjustments/write-backs to property, plant and equipment/intangible assets" totalled Euro 18.3 million and Euro 6.9 million, respectively. The Parent Bank's share amounted to Euro 18.9 million and Euro 6.0 million. Both items were up for Cassa di Risparmio di Bolzano, by 7.5% and 23.9%, respectively, against the start of the amortisation period of significant investments in technology and software. In 2023, the subsidiary CiviBank recognised adjustments to property, plant and equipment for Euro 3.9 million and Euro 0.9 million on intangible assets. It should be noted that at the consolidated level, the amount of amortisation of rights of use recorded by the Parent Company on capital goods leased by the subsidiary Sparim, pursuant to the provisions of IFRS 16, is reversed; this item amounts to Euro 5.1 million.

The consolidated item "Other operating income/expenses" amounted to Euro +20.5 million, to which the Parent Company contributed Euro +18.1 million. The subsidiary CiviBank contributed Euro +4.2 million to the item. The consolidated result is net of intercompany items, such as the consideration for the servicing contract stipulated between the Parent Company and Banca di Cividale for personnel seconded to Sparkasse, as well as lease payments on capital goods paid by the Parent Company to the subsidiary Sparim. The contributions of the other Group companies were not very significant.

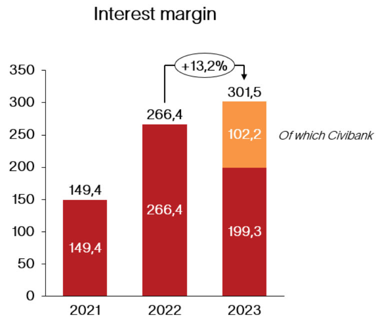
Lastly, the provision for taxes amounted to Euro 38.8 million; the Parent Company recognised taxes of Euro 25.5 million, down 19.3% from the 2022 figure (Euro 31.6 million) due to the lower gross profit generated by the Bank. CiviBank recorded taxes of Euro 10.3 million, including the tax effect on the reversal components of the PPA.

The reclassified income statement figures compared with those of the previous year show the following situation:

	RECLASSIFIED CONSOLIDATED INCOME STATEMENT (in millions of euro)	31/12/2023	31/12/2022	Absolute Change	%
30.	**Net interest income**	**301.5**	**266.4**	**35.1**	**13.2%**
10.	Interest income and similar revenues	558.5	294.0	264.6	90.0%
20.	Interest expense and similar charges	(257.0)	(27.6)	(229.5)	832.2%
	- of which interest expense on financial payables for leases (IFRS 16)	*(0.4)*	*(0.3)*	*(0.0)*	9.5%
120.	**Financial margin**	**(1.3)**	**3.1**	**(4.4)**	**-141.8%**
70.	Dividends and similar income	2.3	3.2	(0.9)	-27.0%
80.	Net profit (loss) from trading	1.6	4.9	(3.3)	-68.0%
90.	Net profit (loss) from hedging	(2.9)	1.5	(4.4)	-
100.	Gains (losses) on disposal or repurchase of:	(2.4)	(0.3)	(2.0)	671.8%
	a) financial assets measured at amortised cost	(2.4)	1.8	(4.1)	-231.5%
	b) financial assets measured at fair value through other comprehensive income	0.0	(2.1)	2.1	-100.1%
	c) financial liabilities	(0.0)	0.0	(0.0)	-107.1%
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	0.1	(6.2)	6.3	-101.2%
	a) financial assets and liabilities designated at fair value	0.0	0.2	(0.2)	-100.0%
	b) other financial assets mandatorily measured at fair value	0.1	(6.4)	6.5	-101.2%
60.	**Income from services**	**131.2**	**114.9**	**16.4**	**14.3%**
40.	Fee and commission income	144.7	123.0	21.7	17.6%
50.	Fee and commission expense	(13.5)	(8.1)	(5.3)	65.2%
150.	**Gross contribution margin**	**431.5**	**384.3**	**47.1**	**12.3%**
190.	Administrative expenses:	(263.0)	(239.2)	(23.9)	10.0%
	a) personnel expenses	(146.5)	(143.5)	(3.0)	2.1%
	b) other administrative expenses	(116.5)	(95.7)	(20.9)	21.8%
	- of which real estate payments (IFRS 16 Leases)	*(0.5)*	*(0.4)*	*(0.0)*	*5.9%*
210.+220.	Amortisation and depreciation	(25.3)	(21.5)	(3.8)	17.7%
	- of which depreciation on rights of use acquired through leases (IFRS 16)	*(6.4)*	*(4.1)*	*(2.3)*	56.3%
230.	Other operating income/expenses	20.5	13.8	6.6	47.8%
235.	Negative goodwill (or badwill)	0.0	107.4	(107.4)	
	Net operating costs	**(267.8)**	**(139.4)**	**(128.4)**	**92.1%**
	Gross operating result	**163.7**	**244.9**	**(81.3)**	**-33.2%**
130.	Net value adjustments/write-backs for credit risk relating to:	(43.6)	(43.1)	(0.5)	1.1%
	a) financial assets measured at amortised cost	(43.6)	(42.9)	(0.8)	1.7%
	b) financial assets measured at fair value through other comprehensive income	0.0	(0.2)	0.3	-109.8%
140.	Gains/losses from contractual amendments without cancellations	0.9	0.0	0.9	2531.4%
200.	Net allocations to provisions for risks and charges	(6.6)	(8.9)	2.3	-25.9%
	a) commitments and guarantees issued	(5.0)	(3.1)	(1.9)	61.3%
	b) other net allocations	(1.6)	(5.8)	4.2	-72.3%
	Net operating result	**114.4**	**192.9**	**(78.6)**	**-40.7%**
250.	Gains (losses) on equity investments	0.7	0.8	(0.2)	-20.4%
260.	Net result from fair value measurement of property, plant and equipment and intangible assets	5.8	4.7	1.1	23.6%
280.	Gains (losses) from disposal of investments	0.4	2.8	(2.4)	-87.0%
290.	**Gross profit / (Gross loss)**	**121.2**	**201.3**	(80.0)	-39.8%
300.	Income taxes for the year on current operations	(38.8)	(27.8)	(11.1)	39.8%
320.	Profit (loss) from discontinued operations after tax	(0.2)	(1.3)	1.2	-86.9%
340.	Profit (loss) for the year attributable to minority interests	(4.0)	3.2	(7.3)	-
350.	**Profit (loss) for the period**	**78.2**	**175.4**	**(97.2)**	**-55.4%**

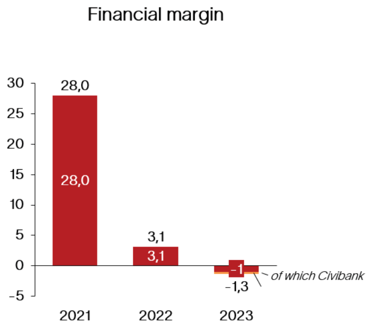
The changes in the various items are described in more detail below.

Net interest income



The Group's net interest income, which in the face of the considerable rise in the interest rate curve saw its asset and liability components increase exponentially compared to the previous year's values, was, as a whole, up by 13.2% (Euro +35.1 million) compared to the previous year.
Among the components that had the greatest impact were the recognition of interest expense on TLTRO III refinancing transactions with the ECB for a total of Euro 71.6 million for the Parent Company and Euro 27.2 million for Banca di Cividale, as well as remuneration of direct funding from customers, which rose from Euro 10.8 million in 2022 to Euro 93.3 million in 2023 for Sparkasse, while the impact on CiviBank amounted to Euro 41.4 million. These negative effects were only partially offset by the higher interest collected on the securities portfolio, where the stock of pre-existing fixed-income securities is still significant, and by the loans that have a slight time lag between the repricing dates and the change in the rate curve. The contribution of the subsidiary CiviBank amounted to Euro 102.2 million, including the adjustment components of the "purchase price allocation" and the related "reversals" of approximately Euro 11.6 million (net interest income net of PPA amounted to Euro 90.6 million).

Financial margin



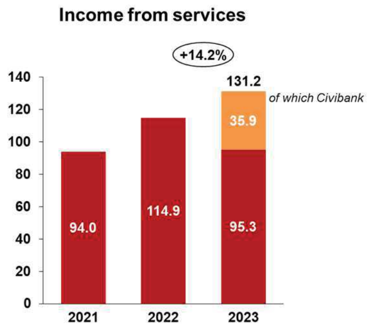
(CiviBank: includes PPA)

The banking group's financial margin fell further, from Euro +3.1 million to Euro -1.3 million (with a negative CiviBank margin of Euro -0.9 million, and a PPA effect of Euro +0.6 million). It should be noted that the financial margin had benefited from significant positive effects linked to non-recurring items, particularly in 2021, but also in 2022.

The value of dividends collected during the year was positive for approximately Euro 2.3 million.

Income from services

The Income from services increased further, even in the new banking group structure, rising from the excellent 2022 result and standing now at Euro 131.2 million. Commission expense increased in absolute terms less than commission income.

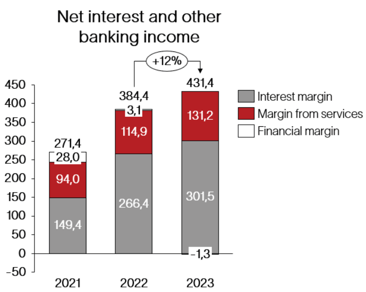


The result confirms and demonstrates the Sparkasse ability to provide its customers with increasing professionalism in a relationship of increasing trust by successfully offering them specialist consultancy services, particularly in the assets under management and insurance sectors, which remain drivers of the service margin.

The Parent Company's contribution came to Euro 95.3 million (up by 1.3% compared to 2022). On this point, prominent is the recognition in 2023 of significant commission expense paid by the two Group's Banks for the rescue operation of the insurance company Eurovita S.p.A. (now CronosVita Assicurazioni S.p.A.) for the servicing activity and for the non-use of the amounts, as well as commission expenses on the financial guarantees received and recognised by the Parent Company to the investors of the mezzanine tranches of the synthetic securitisation put in place as of 1 December 2023 for approximately Euro 1.0 million

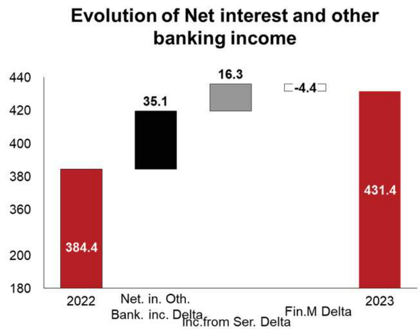
The contribution of Euro 35.9 million generated by the operations of the subsidiary CiviBank of the year is added to the commission margin. The most profitable segments were insurance funding and commercial banking.

Net interest and other banking income

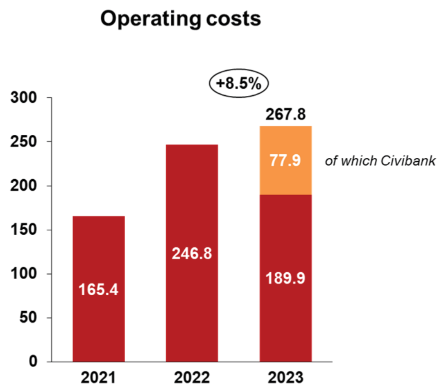


As a result of the above-described dynamics of the details that make up the net interest and other banking income, its overall value is represented in the graph above.

The breakdown of the change in net interest and other banking income is shown below.



Net operating costs



A comparison with the previous year (net of the "badwill" component recognised under other operating income as part of the acquisition of control of Banca di Cividale) shows an increase of 21.0 million euros in net operating costs, mainly due to a higher burden of "other administrative expenses" (the change in which amounted to Euro +20.9 million in costs). "Net value adjustments/write-backs to property, plant and equipment/intangible assets" were on the rise, mainly due to the start of the amortisation period of significant investments in technology and software made in the previous and current years.

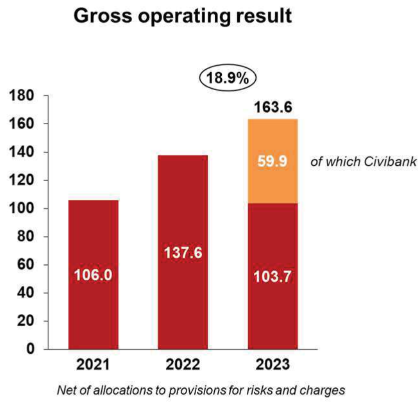
The consolidated item "Other operating income/expenses" amounted to Euro +20.5 million, to which the Parent Company contributed Euro +18.1 million. The subsidiary CiviBank contributed Euro +4.2 million to the item. The consolidated result is net of intercompany items, such as the consideration for the servicing contract stipulated between the Parent Company and Banca di Cividale for personnel seconded to Sparkasse, as well as lease payments on capital goods paid by the Parent Company to the subsidiary Sparim. The contributions of the other Group companies were not very significant.

Consolidated "Administrative expenses" amounted to Euro 263.0 million. The portion pertaining to Cassa di Risparmio di Bolzano decreased by 2.2% from Euro 190.1 million in 2022 to Euro 185.8 million in 2023. The decrease is mainly attributable to some non-recurring items, such as the cost of the early retirement scheme recorded in 2022 for Euro 12.2 million in the Parent Company alone.

The "Administrative expenses" of CiviBank amounted to Euro 77.9 million; the amount of expenses pertaining to the other Group companies is lower.

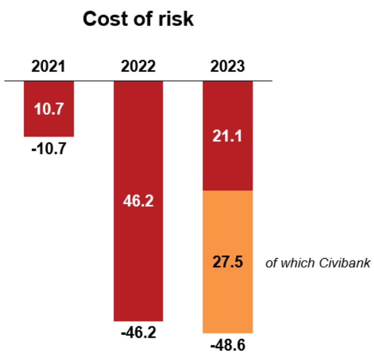
Gross operating result

Gross operating result for the year 2023 amounted to Euro 163.6 million (+18.9% compared to 2022, shown here net of the "badwill" component recognised under other operating income in the context of the acquisition of control of Banca di Cividale), where in the new structure of the Cassa di Risparmio di Bolzano banking group, the contribution of CiviBank was a positive Euro 59.9 million. The result achieved represents the sum of the performances achieved with reference to the various aggregate figures of the income statement, which are commented on above.



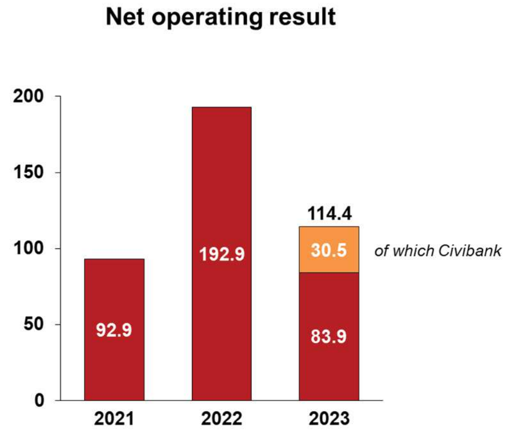
Cost of risk

The policies on hedging risks on performing and non-performing loans, also fully adopted by the subsidiary Banca di Cividale, led the banking group to set aside provisions, including write-downs on loans and endorsement loans, of Euro 48.6 million, against Euro 46.2 million in the previous year.



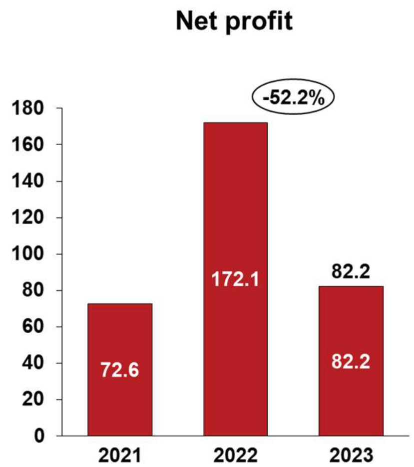
In light of the above, the indicator that measures the riskiness of the non-performing loan portfolio reached the gross level of 3.8%, which corresponds to a value of 1.9%, net of allocations. In 2022, the two indices stood at 3.6% and 1.9% respectively. The coverage of the impaired portfolio increased from 47.5% at the end of 2022 to 50.9% at the end of 2023.

Net operating result



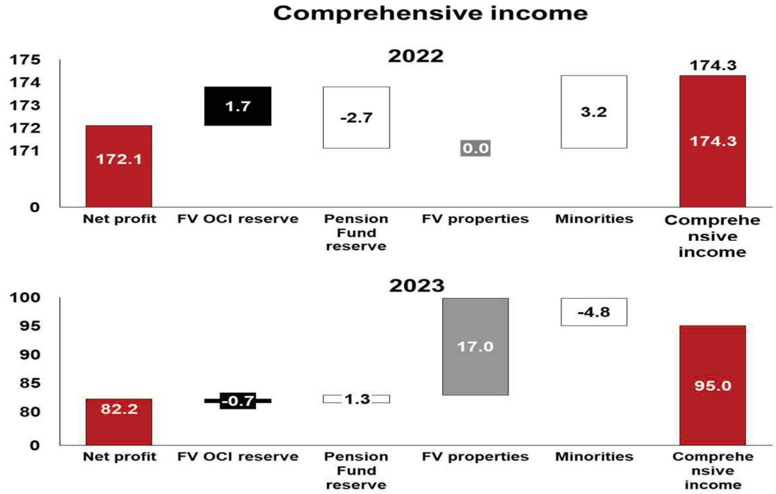
The net operating result, as the sum of the various aggregates discussed above, recorded a value of Euro 114.4 million, compared to Euro 192.9 million at the end of 2023; it should be noted that the net operating result of the previous year included Euro 107.4 million of "badwill" arising from the acquisition of Banca di Cividale.

Net profit



The Group's net profit for the year was Euro +82.2 million, with a profit attributable to the Parent Company of Euro 78.2 million and a profit attributable to non-controlling interests of Euro 4.0 million.
The result of the previous year was affected by the "badwill" component for Euro 107.4 million recorded against the acquisition of control of Banca di Cividale.

Comprehensive income



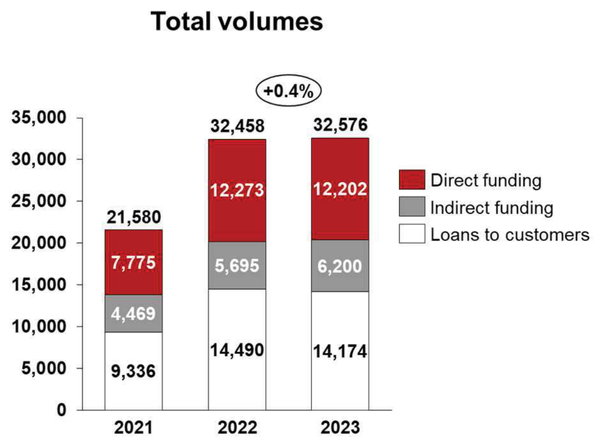
Comprehensive income at 31 December 2023 amounts a positive result of Euro 95.0 million, an amount that includes, in addition to the net result for the period, also the positive changes in "Financial assets (other than equity securities) measured at fair value through other comprehensive income" (Euro +5.9 million), the result of "Equity securities designated at fair value through other comprehensive income" (Euro -6.6 million) and the adjustment of the actuarial reserve of the internal pension fund, with reference to the so-called "defined benefits" Sections, equal to Euro 1.3 million. As a result of the valuation of the Group's instrumental real estate assets, an additional Euro 17.0 million of positive fair value is included in the overall profitability.

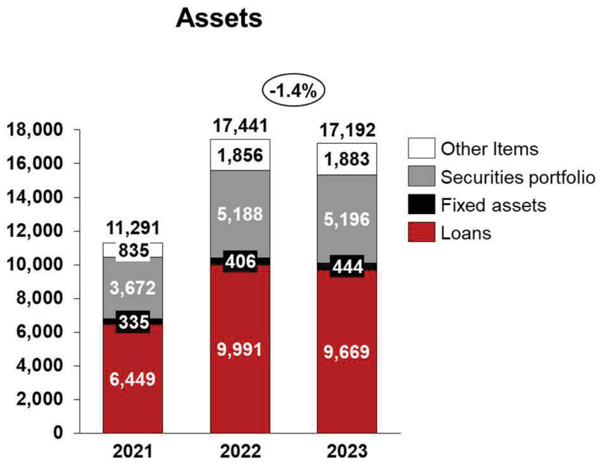
All components are recognised net of the related tax effect.

3.2 Performance of balance sheet aggregates

Total volumes and balance sheet assets

The Group’s total volumes amounted to Euro 32.6 billion, in line with Euro 32.5 billion reported in the previous year.

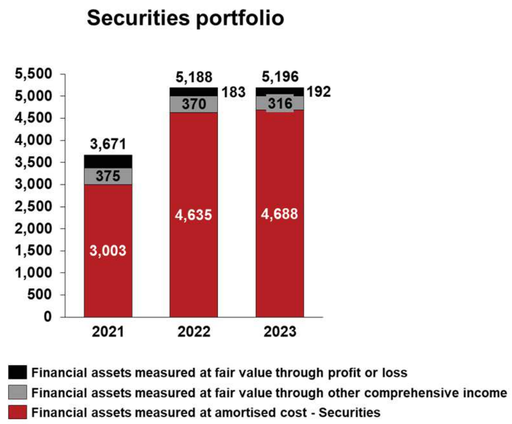




The Group's assets, which amount to Euro 17.2 billion, are presented as shown in the table above. Overall, the reduction in assets compared to the previous year was 1.4%; this reduction is mainly attributable to the decrease in loans to customers, while the other components are in line with the previous figure.
Total assets also include the aggregates of the other Group companies, including the property complex owned by Sparim.

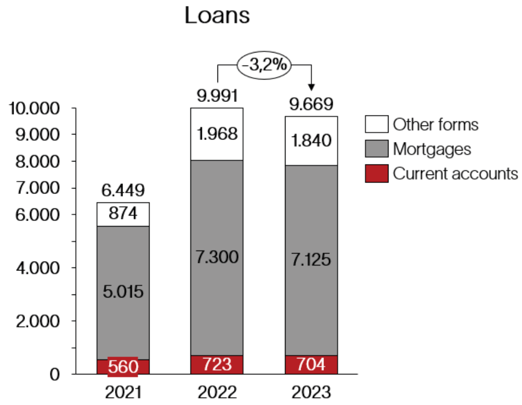
The proprietary securities portfolio

The size of the securities portfolio is substantially in line with the figure of the previous year.



As in previous years, also during 2023 the Bank's liquidity reserves were invested mainly in short and medium-term Italian Government bonds, thus combining the need to hold Government bonds for a significant amount with the objective of a spread remuneration over risk-free rates. In light of the non-short/very short residual life at the time of purchase, almost the entire bond portfolio is classified according to the "held to collect" business model.
This capital allocation, in addition to complying with the Basel III criteria on liquidity reserves, was set in line with the market risk profile defined by the Bank as part of the risk appetite framework, defined on a daily basis in terms of Var (value at risk).

Loans



It should be noted at the outset that the amount of net loans to customers does not coincide with the figure for the financial statements item "Assets measured at amortised cost: loans to customers", also due to the presence in the item of the financial assets at amortised cost held by the two Banks, classified as debt securities, excluding those issued by banks.

Net loans to customers for financing measured at amortised cost amounted to Euro 9,669.3 million (gross carrying amount of loans to customers for financing at amortised cost of Euro 9,914.8 million, against which value adjustments of Euro 245.5 million were allocated).

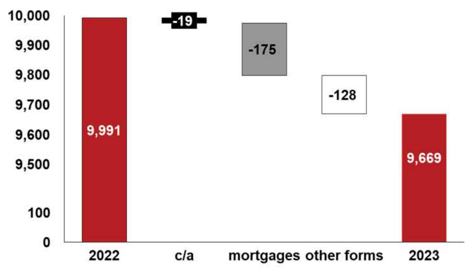
Net loans to customers for financing measured at amortised cost decreased by 3.2% during the year compared to the previous year, in line with the system trend and substantially attributable to the increase in interest rates which reduced the demand for new loans from customers.

The overall degree of coverage in December 2023 of loans to customers was 2.5%. In particular, in accordance with the allocation required by the international accounting standard IFRS 9 "Financial instruments", the coverage ratio of performing exposures, classified in the "first stage" and "second stage" is 0.55%, while the coverage ratio of non-performing exposures, in the "third stage"is 50.9%.

The Parent Company's stock of loans remained substantially unchanged from last year, testifying to the Bank's capacity and willingness to be an important reference point in support of the development of the economy and of the demand for credit in the private sector. Cassa di Risparmio di Bolzano continues with determination its growth path in the disbursement of medium/long-term loans to businesses and households. New mortgage loans during the year amounted to Euro 1,015 million, of which Euro 727 million in favour of businesses, and Euro 288 million in favour of households.

In the subsidiary CiviBank, loans were down by € 356.7 million compared to the previous year. New mortgages and loans amounted to Euro 384 million, of which Euro 272 million to businesses and Euro 112 million to households.

Evolution of loans by technical form



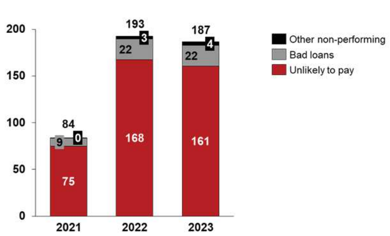
The performance of the various segments shows a more or less marked reduction in the various technical forms, with mortgages being the most affected.
With reference to the degree of intermediation, or the ratio between loans to customers and customer funding, the index stands at 82.43% (2022 figure equal to 82.39%).

In the subsidiary Banca di Cividale, the decrease in net loans mainly involved the mortgage segment (Euro -279 million). There was a marginal decrease in loans and cash advances granted on current accounts (Euro -32 million) and in stocks referring to "other technical forms" relating to mortgages (Euro -44 million). The figures include the reduction in the value of impaired positions, net of write-downs.

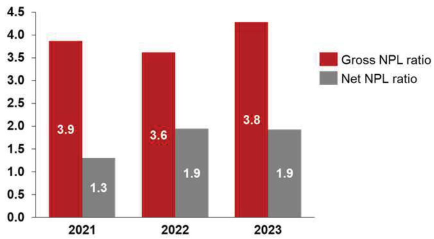
Non-performing loans

The Group's net non-performing loans to customers for financing measured at amortized cost amounted to Euro 186.5 million (gross carrying amount of non-performing loans equal to Euro 379.8 million against which adjustments of Euro 193.3 million were allocated) with the indicator measuring the riskiness of the loan portfolio (gross NPL ratio) that reached a gross level of 3.8%, which corresponds to a value of 1.9%, net of allocations (net NPL ratio).

Net non-performing loans

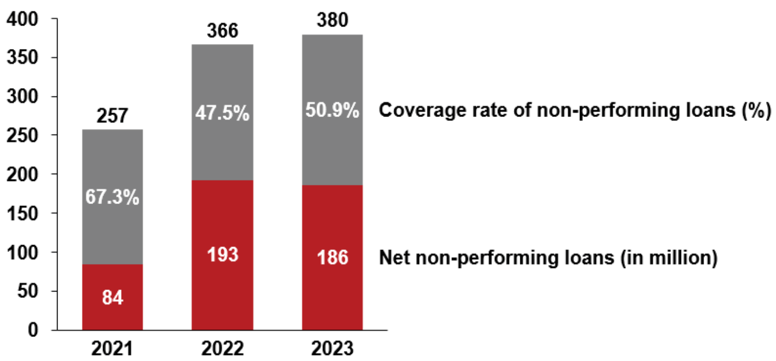


Gross and net NPL Ratio



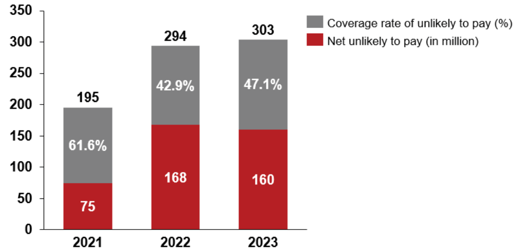
Thanks to the careful management of non-performing loans and the resulting value adjustments made, despite an increase in gross non-performing loans of Euro 13.3 million, the figure for net non-performing loans was down by Euro 6.1 million.

Coverage rate of non-performing loans

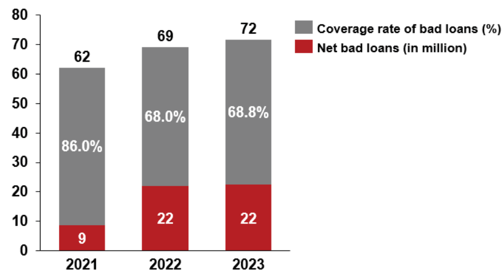


The levels of coverage of non-performing loans stood at 50.9% at the end of 2023. The low level of coverage, compared to the values determined as the total of the two banks, is attributable to the effects of the purchase price allocation of the acquisition of CiviBank, for which the impaired loans were recorded at their fair value, thus without considering the adjustment provisions.

Coverage rate of unlikely to pay



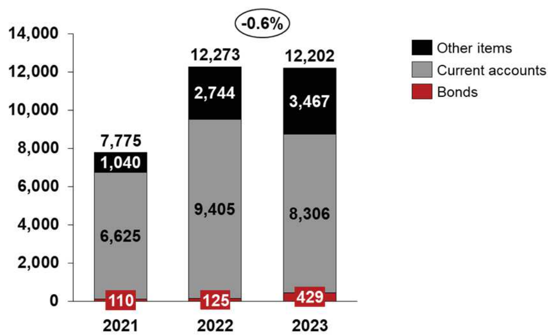
Coverage rate of bad loans



Direct funding

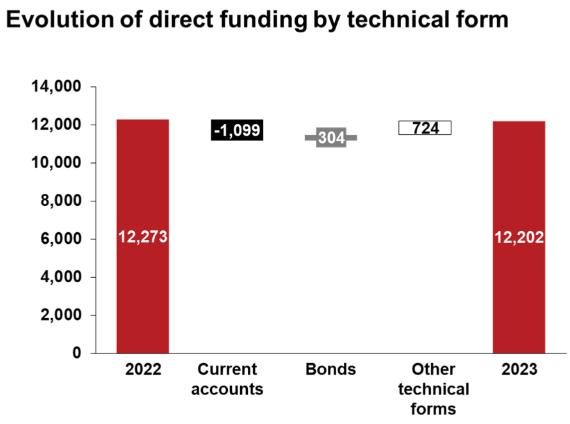
Total Group direct funding amounted to Euro 12.2 billion, in line with the previous year's figure.

Direct funding



Direct funding in 2023 was stable compared to the 2022 figure. There was an important transfer effect of funding from on-demand forms of current accounts to restricted forms of savings shown here under "Other", as a direct result of the increase in interest rates and customers' search for more remunerative forms.

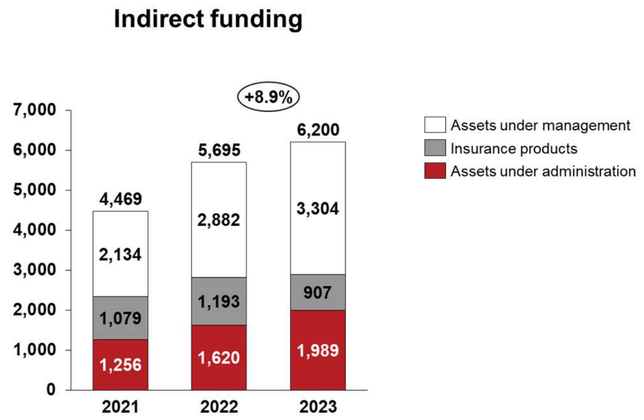
The item "Bonds" also recorded a significant increase, attributable to repurchase transactions carried out with own securities, in the amount of about Euro 350.2 million, and to some natural maturities at the end of the loan, of two early redemptions of lower Tier II subordinated bonds in the amount of Euro 20.4 million, only partly offset by two bond issues totalling Euro 27.6 million.



The largest part of total funding is attributable to current account deposits of Euro 8,306 million, time deposits of Euro 2,257 million, and bonds issued by the Group's two banks amounting to Euro 429 million.
In 2023, based on the rules of IFRS 16, financial payables relating to rental/lease agreements were also recognised for Euro 28.1 million.

Indirect funding

Group indirect funding amounted to Euro 6,200.4 million.



Assets under management and assets under custody recorded significant growth, of 14.7% and 22.7%, respectively, while insurance recorded a reduction of 24.0%, partly due to redemptions requested by customers on former Eurovita policies.

Shareholders' equity

Consolidated shareholders' equity, due to both the positive effect of the 2023 result and the change in revenue reserves, amounted to Euro 1,158.0 million.

In the same period, "Consolidated own funds" increased from Euro 1,113.2 million to Euro 1,126.1 million.

Against risk-weighted assets of Euro 7.3 billion, thanks to the optimisation of RWAs implemented by the Group to contain capital absorption, the capital ratios stood at:

- Common Equity Tier 1 ratio: 14.09%
- Tier 1 capital ratio: 14.80%
- Total capital ratio: 15.48%.

Please note that, as a result of the option exercised for the application of the provided for transitional regime, the rules on regulatory phase-in are applied.

In this regard, reference should be made to the information provided above and to the detailed analysis in the section "Share capital and Liquidity" and in Part F of the Notes to the Financial Statements.

4 The governance system

4.1 Corporate governance report and the organisational and governance, management and control system

The share capital of the Parent Bank is broken down as follows:

- 62.66% is owned by Fondazione Cassa di Risparmio (controlling shareholder);
- 35.52% is owned by companies and small shareholders (over 24,000), mainly private customers and employees;
- the remaining percentage, i.e. 1.84%, consists of treasury shares held by the Parent Company.

The Parent Company's share capital structure consists of ordinary shares. On 21 December 2015, the subscribers were assigned no. 452 Additional Tier 1 subordinated bonds convertible into a maximum of no. 10,044,344 ordinary shares.

As at 31 December 2023, the share capital of Cassa di Risparmio amounted to Euro 469,330,500.10, divided into 60,952,013 ordinary shares with no nominal value. The shares are registered and indivisible, dematerialised and entered into a centralised management system authorised and operating in Italy in accordance with current legislation.

The shares are listed on the "Vorvel Equity Auction" segment of the multilateral trading system managed by Vorvel SIM S.p.A.

Also for the year 2023, the Shareholders' Meeting, held on 5 April 2023, authorised, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, the purchase of treasury shares by the Bank for a period not exceeding 18 months, establishing the methods (maximum number of shares to be purchased as well as the minimum and maximum consideration) and arranging for the establishment of a specific Fund (so-called "Provision for existing treasury shares") the total value of which amounts to Euro 11.15 million, to be used subject to the issue by the Bank of Italy of the authorisation to purchase its own securities representing equity interests in the share capital. With the aim of facilitating the regular trading of its own shares, using the liquidity provided by the "Provision for existing treasury shares", in compliance with current market abuse regulations and the provisions of the trading venue's regulations, on 12 December 2023 the Bank awarded a new mandate on an exclusive basis to Equita SIM S.p.A. to carry out the activity of supporting the liquidity of the shares drawn on the "Vorvel Equity Auction" segment of the multilateral trading system managed by Vorvel SIM S.p.A. The new assignment replaces the contract signed on 20 April 2020 and partially amended on 28 December 2021.

During 2023, Equita SIM S.p.A. stepped in to support liquidity by purchasing 202,631 shares of Cassa di Risparmio di Bolzano S.p.A.

Each share gives the right to one (1) vote in the Shareholders' Meeting, except in the case of treasury shares held whose voting rights are suspended. The right to vote is not limited. Some of the shareholders formed a

voting syndicate, giving rise to the associations: "Sindacato di voto Piccoli Azionisti Cassa di Risparmio" and "Sette Api".
The legal and supervisory provisions, in particular on corporate governance, establish that the internal control system (*set of rules, functions, structures, resources, processes and procedures*) is a fundamental element of the overall system of governance of banks, which must guarantee, in particular, the achievement of strategic objectives and corporate policies, the containment of risks, the effectiveness and efficiency of business processes, the reliability and security of company information and IT procedures, compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures, in addition to the prevention of the risk of the bank being involved in any unlawful activities.
Taking into account the aforementioned objectives, the Bank, also in its capacity as Parent Bank of the "Cassa di Risparmio di Bolzano" Banking Group, has defined a **corporate organisational model** for the Group as a whole and for the individual components of the Group, aimed at enabling the continuous implementation of the applicable legal and supervisory provisions. The Bank has set up a **system of internal controls and risk management** aimed at identifying, measuring, managing and monitoring the risks of the Bank and the Group on a continuous basis, which envisages the involvement the Corporate Bodies, the company's control functions as well as the Supervisory Body set up pursuant to Legislative Decree no. 231/2001, whose functions have been assigned to the Board of Statutory Auditors; the company appointed to perform the statutory audit of the accounts also participates in the control system.

At consolidated level, in order to allow an effective internal control and risk management system, the Board of Statutory Auditors of the Parent Bank, which was entrusted with Supervisory Body responsibilities pursuant to Legislative Decree 231/2001, is also called upon to perform the same function in favour of Sparim S.p.A. and Sparkasse Haus. Likewise, the Board of Statutory Auditors of CiviBank also performs the function of Supervisory Body. On the contrary, Raetia SGR S.p.A. in liquidation has set up a special Supervisory Body. Also at Group level, the company appointed to audit the accounts contributes to the control system.
In this logic, the overall activities that the Group and its members are required to carry out to achieve their management objectives in compliance with legal and supervisory provisions and, therefore, with a view to sound and prudent management, are broken down into "areas", which group together sets of "processes".
Each process is divided into "phases" and each phase into "sub-phases" to be put in place for carrying out the phase itself. Therefore, for each sub-phase, the obligations to be respected (summary of the relevant provisions) and the main "actions" to be implemented for the actual application of the obligations are regulated. This makes it possible to identify, for each relevant offence, for each legal and supervisory provision in force or issued from time to time, the specific responsibilities applicable to the various organisational units of the Group and its components and to refer them to the relevant processes.
The taxonomy of processes was also updated in 2023 to take into account organisational needs and the evolution of the external regulatory context.
In this construction, the company organisational system is divided into three taxonomy levels:

- Level 0: divided into 4 Areas;
- Level 1: divided into 14 Sectors;
- Level 2: which includes 100 Processes;

and the Regulations of Management Bodies and Committees, the General Company Regulations, the Management and Coordination of the Parent Bank on Subsidiaries Policy as well as the Corporate Governance Project Group Regulation.
The corporate organisational system governs the processes that define the organisational model adopted, the role of the Corporate bodies, the delegated powers structure, the management information flows and the role of the Bank's members, the operational/management and risk governance and management processes, as well as the control processes set forth in the supervisory provisions.

Therefore, the processes, which are also exercised for the control of risks related to financial reporting, have been regulated in the "Governance and Risk Management" Area, for the purpose of ensuring a concrete and correct performance of the corporate processes.
The "Management and Coordination Activities of the Parent Bank on Subsidiaries" Policy also governs the Group's controls, i.e. the criteria to be adopted and the activities to be carried out by Sparkasse in order to perform the controls required by the supervisory provisions on the internal control system as well as by the operational and management requirements of the members of the Group and the Group as a whole.
The "Corporate Governance Project" Group Regulation, in compliance with current legislation, also illustrates the statutory and internal organisation structures of Sparkasse and the related Group, at the same time representing a communication tool with its shareholders, investors and the market, aimed at providing detailed information on the corporate governance mechanisms that govern its operation.
In 2023, following the successful outcome of the Takeover Bid and the settlement of the Offer, with effect from 6 June 2022, Banca di Cividale S.p.A. - Società Benefit (hereinafter "CiviBank") became a part of the Südtiroler Sparkasse - Cassa di Risparmio di Bolzano Group with the consequent establishment of the new Board of Directors.
Sparkasse therefore continued its process of strengthening its documentary system aimed at ensuring the Governance of its subsidiary Banca di Cividale S.p.A. - Società Benefit (hereinafter "CiviBank") through the publication of provisions on functional reporting to ensure the regular and profitable performance of company operations and the sharing of principles and guidelines to favour the alignment of all company functions impacted by the Integration Programme.
In July 2023, the IT integration project was completed with the simultaneous reorganisation of the operating models, including the centralisation of various services from the subsidiary CiviBank to the Parent Company.
In addition, Sparkasse, with the publication of the so-called Group Regulation (the aforementioned "Management and Coordination Activities of the Parent Bank on Subsidiaries" Policy) outlined the reference regulatory and governance framework for the Group aimed at ensuring the correct and regular functioning, characterised by the common entrepreneurial design, strong internal cohesion and for the unitary management, in line with the regulatory indications and with the requirements of sound and prudent management of the Group itself.
In line with the Supervisory Provisions, Sparkasse, as part of the management and coordination of the group, exercises:

- strategic control over the development of the various areas of activity in which the group operates and the risks incumbent on the activities carried out;
- management control aimed at ensuring the maintenance of the conditions of economic, financial and equity balance both of the individual companies and of the group as a whole;
- technical-operational control aimed at assessing, by the second-level control functions, the various risk profiles contributed to the group by the individual subsidiaries and the overall risks of the group.

With reference to the role of the Subsidiaries, they must transmit to the Parent Bank, with adequate advance and mandatorily for the cases envisaged, appropriate information on issues of particular importance from a strategic and/or operational profile as well as contribute to the achievement of the Group's objectives by adhering to the Group management and coordination model envisaged.

4.2 System for the measurement/assessment of risks and the self-assessment of capital adequacy and liquidity

As part of its management and coordination activities, the Parent Bank has equipped the Group as a whole and in its individual components with an Internal Capital Adequacy Assessment Process - ICAAP and an Internal Liquidity Adequacy Assessment Process - ILAAP.
The ICAAP and ILAAP must be coordinated, responsive and consistent with the Risk Appetite Framework (RAF). The Supervisory Body is responsible for supervising the conditions of stability, efficiency, sound and

prudent management of the banks and for verifying the reliability and consistency of the results of their internal assessments (so-called "Supervisory Review and Evaluation Process" - SREP), in order to adopt, if the situation requires it, the appropriate corrective measures.
Respectively, the ICAAP and ILAAP processes are based on suitable corporate risk management systems and require adequate corporate governance measures, an organisational structure with well-defined lines of responsibility and effective internal control systems.
The responsibility for the processes lies with the Corporate Bodies, which define their structure and organisation in full autonomy according to their respective competencies and prerogatives. They oversee the implementation and promote the updating of the ICAAP and ILAAP processes, in order to ensure their continuous compliance with the operational characteristics and the strategic context in which the Banking Group operates.
The results of the ICAAP and ILAAP processes are summarised in the related ICAAP-ILAAP Report, which represents the point of convergence and synthesis of the capital, economic and financial planning of risk management, capital management and liquidity management and which, on the other hand, constitutes an important tool to support the strategic development and implementation of Group decisions.
The ICAAP process is divided into the following phases:

- identification of the risks to be assessed through the definition of the risk map;
- measurement/assessment of individual risks and related internal capital;
- measurement of total internal capital;
- determination of internal capital and reconciliation with regulatory capital;
- self-assessment of capital adequacy;
- self-assessment of the ICAAP process;
- preparation and approval of the ICAAP - ILAAP Report.

The ILAAP process is divided into the following phases:

- definition of the ILAAP;
- liquidity risk assessment;
- self-assessment of the liquidity risk governance and management system;
- self-assessment of liquidity adequacy;
- audits carried out on the ILAAP process;
- preparation and approval of the ICAAP - ILAAP Report.

For further details on qualitative and quantitative information on risks, as well as on management, measurement and control systems, please refer to the "Notes to the Financial Statements - Part E - Information on risks and related hedging policies".

4.3 Disclosure on internal policies adopted with regard to controls on risk activities and conflicts of interest with respect to associated parties

In compliance with the prudential supervisory provisions of the Bank of Italy on associated parties and the Consob Regulation on related party transactions (Circular no. 285 of 17 December 2013, Part III, Chap. 11, 33rd update, risk activities and conflicts of interest with regard to associated parties and Consob resolution no. 17221 of 12/03/2010 and subsequent updates), the Parent Bank adopted the Regulation "Associated parties", which governs the criteria to be followed and the activities to be carried out for the management of risk and conflict of interest with respect to associated parties. In particular, the decision-making procedures for transactions with associated parties are governed (these include identification of transactions, adoption of procedures for the management of transactions, resolution of minor and major significance, transactions falling within the competence of the Shareholders' Meeting, exemptions and derogations for certain categories of transactions).
CiviBank has implemented the same Regulation integrating it to its organisational system.

Therefore, on the basis of the corporate organisational system, the management of risks concerning transactions with associated parties is carried out through a number of connected processes representing the relative organisational controls. In summary:

a) in the Regulations of the Board of Directors, the Board of Statutory Auditors and the Chief Executive Officer and General Manager, who govern the role of the related corporate body and therefore also in relation to the "associated parties" process;
b) in the "Associated parties" Group Regulation, which governs the criteria to be followed and the activities to be carried out for the management of risk and conflict of interest with respect to associated parties;
c) in the Risk Management Regulations, which govern the profiles of the related risks (broken down into the phases of identification, measurement, monitoring, prevention/mitigation as well as reporting and communication);
d) in the General Company Regulation, which govern the roles and responsibilities of the organisational units responsible for the "Associated parties" process, in compliance with the principle of clear distinction between operating units and control units;
e) in the "Management and Coordination Activities of the Parent Bank on Subsidiaries" Policy, which governs the criteria to be adopted and the activities to be carried out for the coordination and management of both the Group's members and the investees, also with reference to transactions with associated parties;
f) in the Operating Regulation relating to associated parties, which governs the steps to be taken in dealing with associated parties and specifies the operating procedures to be adopted for the management of transactions with associated parties;
g) in the Organisation Regulation, within which the criteria to be adopted and the activities to be carried out in order to reach the assignment by the Board of Directors/Chief Executive Officer of the power delegation in the various business matters are governed;
h) in the "Information Flows" Policy, which governs the reports to be sent to the Board of Directors and the Board of Statutory Auditors, including those on associated parties;
i) in the respective regulations for the different types of control (line control, compliance control, risk management control, Internal Audit activities, Group controls), which govern the criteria to be adopted and the various activities to be carried out. In summary:
    - the organisational units responsible for the aforementioned processes indicate the activities carried out in the processes with respect to the planned ones (first-level controls) and forward these indications to the Compliance function and the Internal Audit function;
    - the Compliance function carries out its controls (second-level controls) in accordance with the Group Regulation "Process for controlling non-compliance risk" and in the Policy "Compliance model and assessment of the risk of non-compliance". In particular, the Compliance function verifies the consistency of the regulations of the aforementioned processes with the supervisory provisions on associated parties (so-called regulatory or ex ante compliance); on the basis of the indications of the activities carried out in the processes, provided by the responsible units, it determines the deviation between the activities carried out and the activities provided for by the Supervisory Provisions and, on the basis of the aforementioned deviation, it formulates an organisational risk assessment of the operational compliance of the aforementioned processes (so-called operational compliance). The results of the controls are forwarded to the Corporate Bodies, to the Internal Audit function and to the Risk Management function, together with proposals for action to be taken to remove any shortcomings that may have emerged;
    - the Risk Management function carries out its controls (second-level controls) in accordance with the provisions of the Group Regulation of the "Risk Management Framework". In

particular, the function measures the risks and proposes the limits in line with the strategies and submits for approval the same limits to the competent bodies. The results of the controls are transmitted to the Corporate Bodies, the Compliance function and the Internal Audit function;

- the Internal Audit function carries out its controls (third-level controls) according to the Group Regulation “Internal Audit System Assessment". In particular, the function verifies compliance with internal policies on associated parties and the adequacy of the first- and second-level controls carried out on the aforementioned processes. In addition, the Internal Audit function periodically reports to the Corporate Bodies on the overall exposure to risks deriving from transactions with associated parties and other conflicts of interest, if necessary it suggests revisions of internal policies and of the organisational and control structures deemed suitable to strengthen the monitoring of these risks.
- The aforementioned functions also carry out the controls described above on the other components of the Group according to the "Management and Coordination Activities of the Parent Bank on Subsidiaries" Policy.

In conclusion, the management of the risk of conflicts of interest with regard to associated parties is governed by the set of processes referred to above and by the IT procedures used to support the activities, by the "Associated Parties" Regulation and the relevant detailed operational provisions.

4.4 Administrative liability (Italian Legislative Decree no. 231 of 8 June 2001)

With reference to the administrative liability of companies, Cassa di Risparmio di Bolzano has made available on its website www.sparkasse.it the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, the Code of Ethics and Conduct, in particular for parties outside the Bank's organisation who, limited to the provision of goods or services governed by independent and separate contracts, are required to comply with the provisions contained therein.

The Supervisory Body, established pursuant to Legislative Decree 231/2001 and whose powers have been transferred to the Board of Statutory Auditors, has constantly checked the adequacy of the Model, also in connection with the introduction of new regulations during the year, reporting on its activities to the Board of Directors.

Likewise, CiviBank has made available on its website www.CiviBank.it the Organisation, Management and Control Model compliant with Italian Legislative Decree 231/2001 as well as its Code of Ethics.

4.5 Intra-group transactions and transactions with associated parties

As required by Article 4 of Consob Regulation no. 17221 (as amended) and the Supervisory Provisions for banks (Circular 285 of 17 December 2013, Part III, Chapter 11), Sparkasse has prepared and published the "Associated Parties" Group Regulation on its website www.sparkasse.it.

With reference to CiviBank, the same Regulation is available on the website www.CiviBank.it.

Intra-group transactions and transactions with associated parties were carried out on the basis of assessments of mutual economic convenience and, in any case, at conditions consistent with market conditions.

For more details, please refer to Part H of the Financial Statements.

4.6 Privacy, security and environment

As required by the applicable legislation, by the provisions of the "Regulation (EU) 2016/679" (General Data Protection Regulation, known as "GDPR") and by the provisions of the Prudential supervision for banks, also in 2023 the necessary activities were carried out to analyse the effectiveness of and alignment with the security measures put in place to protect data and minimise risks, also following the completion of the migration and integration project of CiviBank's information system and operational processes.
The Parent Bank, which is duly committed to environmental issues, to separate waste collection, to the progressive adoption of equipment and lighting systems with low energy consumption as well as to paperless working processes, has nothing to report in relation to any damage caused to the environment, nor to any sanctions or penalties imposed for environmental crimes or damage.

5 Share Capital and Liquidity

5.1 Consolidated own funds and capital ratios

On 1 January 2014, the new harmonised regulations for banks and investment companies contained in Regulation (EU) no. 575 (CRR - Capital Requirements Regulation) of 26.06.2013 and in Directive (EU) no. 36 (CRD IV - Capital Requirements Directive) of 26.06.2013 which transpose in the European Union the standards defined by the Basel Committee for banking supervision (known as Basel 3) entered into force.
As part of a complex process of reviewing the supervisory regulations of banks, the Bank of Italy issued Circular no. 285 "Supervisory provisions for banks" of 17 December 2013, which almost entirely replaces Circular no. 263/2006, and with which:

- the national options set out in the CRR were exercised,
- the secondary technical provisions of CRD IV were transposed.

On the same date, the Bank of Italy also issued Circular no. 286 "Instructions for the compilation of prudential reports for banks and real estate brokerage companies" which replaces Circular no. 155/1991 and defines the reporting formats:

- of "harmonised" prudential supervisory reports in compliance with the relevant EBA technical standards: own funds, credit and counterparty risk, market risk, operational risk, large exposures, recognition of mortgage losses, overall capital position, liquidity monitoring and financial leverage;
- of "non-harmonised" prudential supervisory reports: related parties.

On 7 October 2016, the 18th update of the "supervisory provisions for banks" pursuant to Circular no. 285 of 17 December 2013 was published on the official website of the Bank of Italy itself.
The above-mentioned update concerned the amendment of the capital conservation buffer (CCB) requirement set forth in Part One, Title II, Chapter I, Section II of the Circular in question in order to transpose the provisions contained in the EU Directive no. 36/2013 (CRD IV) as well as to reduce the divergences between national regulations, in line with the action initiated by the Single Supervisory Mechanism (SSM) to minimize the differences in the prudential regulations applicable to banks.
This regulatory measure provides that banks, at both individual and consolidated level, are required to apply a minimum capital buffer ratio of:

- 1.25% from 1 January 2017 to 31 December 2017;
- 1.875% from 1 January 2018 to 31 December 2018;
- 2.5% from 1 January 2019.

This update entered into force on 1 January 2017.

The following table shows the consolidated "Own funds" at 31 December 2023 compared with those at 31 December 2022

	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) capital before the application of prudential filters	1,051,354	982,350
of which CET1 instruments subject to transitional provisions		
B. Prudential filters of CET1 (+/-)	(557)	(555)
C. CET1 gross of the elements to be deducted and the effects of the transitional regime (A+/-B)	1,050,798	981,795
D. Elements to be deducted off CET1	(33,305)	(22,736)
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	7,649	28,079
F. Total Common Equity Tier 1 capital (TIER1-CET1) (C-D +/-E)	1,025,142	987,138
G. Additional Tier 1 capital (AT1) gross of the elements to be deducted and the effects of the transitional regime	51,271	52,674
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted off AT1		
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to transitional provisions		
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	51,271	52,674
M. Tier 2 capital (T2) gross of the elements to be deducted and the effects of the transitional regime	49,731	73,429
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted off T2		
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to transitional provisions		
P. Total Tier 2 capital (T2) (M - N +/- O)	49,731	73,429
Q. Total own funds (F + L + P)	1,126,144	1,113,241

The capital ratios are at the levels indicated in the following table:

Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	14.09%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	14.80%
Total own funds/Risk-weighted assets (Total capital ratio)	15.48%

The minimum capital ratios to be complied with for 2023, pursuant to Article 92 CRR, are therefore the following:

- Common Equity Tier 1 capital ratio (CET1 ratio) of 4.5% + 2.5% of the Capital Conservation Buffer (CCB)
- Tier 1 capital ratio of 6.0% + 2.5% of CCB
- Total capital ratio of 8% + 2.5% of CCB.

On 29 March 2021, the Bank of Italy informed the Cassa di Risparmio di Bolzano Group that, taking into account the overall assessment elements available to the Supervisory Authority on the business situation of the banking group, it decided not to adopt a new capital decision as a result of the 2020 SREP cycle.

As a result of the entry into force of IFRS 9, a revision of the prudential rules (CRD/CRR) for the calculation of capital absorption was also envisaged. In this regard, Regulation (EU) 2017/2395 published on 27 December 2017 envisages, as an option, the possibility for financial institutions to adopt a transitional regime where they can reinstate to CET1 the adjustments resulting from the adoption of the impairment model of the new standard, with a "phase-in" mechanism over a period of 5 years starting from 2018; the Bank has adopted the transitional regime (static approach) to measure the impacts of the new standard on regulatory capital. The option for the transitional regime sets forth that the higher allocations deriving from the first application of the standard, net of the tax effect, are excluded from the calculation of prudential requirements, according to a decreasing weighting factor (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022). It should be noted that in the year 2023 the transitional period referred to above expired.

It should also be noted that the Cassa di Risparmio di Bolzano Group, on 10 December 2020, forwarded a specific request to the Bank of Italy aimed at obtaining authorisation for the full application of the transitional provisions on IFRS 9 provided for in Article 473-bis of Regulation (EU) 575/2013 (CRR), as amended by Regulation (EU) 873/2020 of 24 June 2020. Specifically, the authorisation concerns the application of the transitional regime on expected credit losses calculated in accordance with IFRS 9.

By means of a provision of 23 December 2020, the Bank of Italy authorised the Cassa di Risparmio di Bolzano Group to fully apply the above provisions on a separate and consolidated basis.

With reference to 31 December 2023, it should be noted that the non-application of the transitional regime envisaged by Article 473-bis of Regulation (EU) no. 575/2013 would have led to a (negative) impact of -9 bps on CET 1.

On 20 September 2022, the Cassa di Risparmio di Bolzano Group communicated to have received from the Bank of Italy, at the conclusion of the annual Supervisory Review and Evaluation Process (SREP) conducted during 2021, the notification of the decision on the prudential requirements to be met on a consolidated basis. With letter no. 1134751/22 of 22.07.2022, the Supervisory Authority had announced the initiation of the ex-officio procedure relating to the imposition of capital requirements in addition to the minimum capital ratios envisaged by the regulations in force in relation to risk exposure.

The communication received on 22.09.2022 confirmed the quantitative requirements, the qualitative requirements and the recommendations formulated by the Supervisory Authority in the letter of 22 July 2022. In particular, the Cassa di Risparmio di Bolzano Group will be required to continuously comply with the following capital requirements at consolidated level, without prejudice to compliance with the minimum capital requirement set forth in Article 92 of Regulation (EU) no. 575/2013:

- Common Equity Tier 1 capital ratio (CET 1 ratio) of 7.70%, consisting of a binding measure of 5.20% (of which 4.50% against the minimum regulatory requirements and 0.70% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Tier 1 capital ratio (Tier 1 ratio) of 9.40%, consisting of a binding measure of 6.90% (of which 6.00% against minimum regulatory requirements and 0.90% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Total capital ratio of 11.75%, consisting of a binding measure of 9.25% (of which 8.00% against the minimum regulatory requirements and 1.25% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer.

In order to ensure that the binding measures are respected even in the event of a deterioration in the economic and financial context, the Bank of Italy has also requested that the Cassa di Risparmio di Bolzano Group continuously maintain a Target Component for each of the capital ratios (Pillar 2 Guidance - P2G), against a greater exposure to risk under stress conditions, equal to 1.25%, such as to determine the following capital requirements at consolidated level:

- common equity tier 1 capital ratio (CET 1 ratio) of 8.95%;
- tier 1 capital ratio (Tier 1 ratio) of 10.65%;

- total capital ratio of 13.00%.

In this regard, the Cassa di Risparmio di Bolzano Group reiterates that at 31 December 2023, the CET1 Ratio, Tier 1 Ratio and Total Capital Ratio, calculated according to the transitional regulations (IFRS 9 phased-in), stood at satisfactory values, with an adequate margin compared to the thresholds provided. The level of fully-phased ratios was also higher than the new minimums required at that date.

5.2 Shares of the Parent Bank Cassa di Risparmio

In this regard, please refer to the Report on Operations of the Parent Bank's financial statements.

5.3 Liquidity

Liquidity ratios

As part of the Basel III framework, the Supervisory Authorities have introduced liquidity requirements that require banks to maintain a minimum level of liquidity to deal with stress situations and ensure a balanced relationship between stable funding sources and loans. For short-term liquidity, the "Liquidity Coverage Ratio" (LCR) indicator was introduced with the objective of establishing a liquidity buffer that allows the Parent Bank to survive for a period of 30 days in the case of severe stress. In 2023, this indicator for the Parent Company was always well above the minimum binding requirement (equal to 100%). In terms of structural liquidity, the Basel III agreements set forth the "Net Stable Funding Ratio" (NSFR), with a time horizon of more than one year, to ensure that assets and liabilities have a sustainable maturity structure. With Regulation (EU) no. 2019/876 (CRR2), the NSFR regulatory requirement was introduced which provides for the mandatory compliance with the minimum threshold of 100%. In 2023, the NSFR indicator was well above the minimum binding requirement.
The Board of Directors has defined, within the Risk Appetite Framework, as risk objectives for liquidity in addition to the LCR and NSFR indicators, also the degree of intermediation (ratio between loans to customers and customer funding) and the Asset Encumbrance Ratio.

Data at 31/12/2023	LCR	NSFR	Degree of intermediation	Asset Encumbrance Ratio
Parent Bank	220.85%	126.74%	82.43%	29.46%
Cassa di Risparmio di Bolzano Group	221.16%	127.47%	n/a	29.79%

Liquidity management

In 2023, the Parent Bank maintained a liquidity position that was considerably higher than the regulatory limits. In addition to the deposits of private and corporate customers, which represent the most important part of its direct funding, the Parent Bank also draws on additional liquidity supply channels, the most important of these being the European Central Bank's TLTRO-III auctions. The Parent Bank has four TLTRO-III loans of Euro 480 million, Euro 200 million, Euro 700 million and Euro 770 million, maturing in March, June, September and December 2024, respectively.
Sparkasse, in addition to the historical online presence of its Munich branch ('Südspa'), has been active for about a year and a half on the weltsparen.de platform, operated by the fintech company Raisin GmbH, and offers continuously updated interest rates for sight deposits, sight deposits with a 34-day notice period, deposits with short maturities of 6, 12, 18 and 24 months, and deposits with long maturities between 3 and 10 years. The volume collected so far has been satisfactory.

In order to achieve the Parent Bank's objective for the year 2023, i.e., to reach a comforting level of the structural liquidity ratio "Net Stable Funding Ratio (NSFR)", in line with the provisions of the 2021-2023 Business Plan as well as the 2023 Funding Policy, during the year, the regulatory framework of the Covered Bond Issuance Programme was adapted to the new "Covered Bond Directive". In addition, the Programme was also extended to the subsidiary CiviBank. Following these activities, the Bank issued at the end of November the first "multi-originator/multi-issuer" Covered Bond with a nominal value of Euro 250 million and a duration of four years. The issue, initially fully subscribed by the Bank itself, can be used as an underlying asset in the form of medium-term collateralised funding.
In the February-March period, the Parent Company also issued two senior bonds, one at a floating rate and one at a fixed rate with a duration of 3 years and 5 years, respectively, also addressed to retail customers. These offers were carried out under exemption from the obligation to publish an information prospectus pursuant to the regulations in force.
The Parent Bank regularly and consistently took advantage of the opportunity to generate a positive interest margin by entering into financing transactions on the very short and short-term repo market and deposited this liquidity with the European Central Bank ("deposit facility") for the duration of one day at a rate higher than the financing rate.
Finally, it should be noted that since the year 2022, Cassa di Risparmio di Bolzano has had a Programme for the Issuance of Bank Bills of Exchange, but has not issued any such financial instruments to date. Any issuance, which may take place, at the Bank's choice, either in public or private form, will remain an opportunistic operation, should a particular opportunity and/or need arise.

As far as the Group is concerned, it is worth highlighting the subsidiary CiviBank's participation in the Parent Company's Covered Bonds Programme as an originator bank, servicer and subordinated lender. In this context and in view of the issue of Covered Bonds, in November CiviBank sold an initial portfolio of residential mortgages to the vehicle SPK OBG S.r.l. In this regard, it should be noted that the first Covered Bond, issued by the Parent Company in June 2022, is now guaranteed pro rata by residential mortgages contributed by CiviBank, as the portfolios sold by the two Group banks to the guarantor company SPK OBG srl are not segregated from each other.
The extension of the OBG programme to CiviBank is also relevant because the Covered Bonds represent a particularly important instrument in the institutional funding strategy, as they allow, also thanks to their creditworthiness, currently rated "AA" by the rating agency Fitch, to obtain advantageous terms in medium-term collateralised funding transactions.
From the participation of CiviBank in the CB Program, the need to enter into intercompany financing transactions also arises, in order to distribute the economic benefit produced by the CB Programme pro rata between the two banks of the Group.

6 Information by business areas

6.1 Territorial network

SPARKASSE

Retail Business Unit

During 2023, the logic of the 2021-2023 business plan was consolidated with the focus on customer consultancy services as well as guaranteeing a highly professional service with 360-degree consultancy services. To ensure the proper preparation of collaborators/consultants, high-quality training sessions were provided in addition to supporting them in the field of wealth & protection by colleagues from the "Competence Center".

Of particular importance is the continuation of the branch logistics restructuring plan according to the new "look ahead" concept, which places the customer at the centre of the physical Branches also in terms of space made available both for cash transactions but even more so for the expansion of spaces for customer consultancy services.
Four territorial flagship branches in addition to the Bologna branch were included in the 2023 restructuring plan. Specifically, these are the branches of:

- Feltre
- Silandro
- San Candido
- Bologna
- Trento Nord

Also as part of the business plan, the Parent Bank consolidated the HUB Credit project for "B" branches and counters so as to offer them the possibility of a roll-out for the entire Retail structure during 2024.

Virtual Consultancy Business Unit

In 2023, remote consulting was extended through collaborators operating in the Sparkasse physical sales network; for this extension, the contribution of the Virtual Consulting Service, created at the end of 2021, and becoming fully operational with remote commercial processes in the second quarter of 2022, was strategic.
If 2022 represented the consolidation of remote operations carried out directly by the operating personnel in Sparkasse Meet (trade name of the Virtual Consulting Service structure) in terms of both after-sales and sales, 2023 represented the extension of such operations by the physical branch network in relation to the customers it looks after.

Corporate Business Unit

The year 2023 was characterised by the weakening of investments due to the uncertainty linked to the increase in energy and raw material costs, the persistence of the conflict in Ukraine and the increase in interest rates, the weakening of both domestic demand and foreign markets.
However, the uncertainty linked to the evolution of the geopolitical framework remains high, leading many entrepreneurs to postpone planned investments.
Many companies have generated liquidity that they have used to make the necessary investments, to reduce or repay the loans contracted in advance or to finance the working capital, reducing the recourse of short-term debt. Bank loans to businesses gradually slowed down and in the first half of 2023 they decreased in each macro-area. Many companies expect to close the year with a profit in 2023.
Nonetheless, revenues generated by the Corporate Segment increased by 43% compared to those of 2022.
The Corporate structure dedicated to supporting SMEs in the areas where the Bank operates showed its closeness to customers by proactively offering solutions in response to the current complex period. There was the ability to offer corporate clients an all-round consultancy that could cover and satisfy the different areas of needs related to financing and investment, risk management and protection as well as international trade.
The focus on finance with low capital absorption also characterised the whole of 2023.
During 2023, a sales initiative was promoted, with the support of the internal structure specialising in Factoring, aimed at proposing a non-recourse product range to potentially interested customers. An initiative that was particularly successful in Veneto.
The insurance offer was also at the centre of the consultancy in 2023: in order to meet the insurance coverage needs of corporate customers, the project to strengthen the internal structure with the partner Net Insurance continued during the year.
Thanks to the partnership launched in June 2021 with Autosystem, the needs of corporate customers were met with the offer of long-term car rental.

Furthermore, during 2023 at each Territorial Corporate Area were organised - as part of the project called "Let's talk Business!" - the breakfasts with entrepreneurs, which represent for the invited customers (representatives of small and medium-sized enterprises selected from the most significant economic sectors) privileged opportunities to meet and discuss current economic dynamics (both territorial, national and European).
Finally, in order to enhance the role of the Business Consultant in an ever-changing economic and social scenario, a Workshop was organised: "Global and Italian Economy, Challenges and Opportunities", which featured economist Alessandro Merli as speaker.

Private and Corporate Banking Segment

In the last quarter of 2023, the Parent Company revised the structure of its commercial divisions by merging the Corporate Banking and Foreign Services Division and the Private Banking Division into the new Private and Corporate Banking Division.

CORPORATE BANKING FOCUS

Corporate Banking represents a significant part of the Bank's activities, providing customised services and solutions to companies to support their financial and capital management needs.

The year 2023 was characterised by a complex international geopolitical situation marked by increasing tensions, with particular reference to the ongoing conflict in Ukraine, which generated uncertainty in the financial markets and influenced corporate investment decisions. In addition, the year saw an increase in inflation, accompanied by rising energy prices, which represented a challenge for companies in terms of operating costs and financial planning. The supply chain management of procurement subsidiaries was further complicated by these factors, with disruptions and delays impacting the operational efficiency of the companies.

The Corporate BU responded to global challenges by focusing, among other things, on expanding the customer base in the Emilia-Romagna and Lombardy regions. Through a strategy focused on the specific needs of these regions, it was possible to attract new customers and consolidate existing relationships. This approach has made it possible to offer customized financial solutions and high quality customer service, tailored to local peculiarities and needs. The expansion of the market in the Emilia-Romagna and Lombardy regions was an integral part of the growth strategy. This expansion has allowed us to access new market segments and diversify the customer portfolio, creating added value for the entire bank.

Risk management was also a key priority during the year 2023. The diversification of the client portfolio and strict credit monitoring helped to maintain credit quality at satisfactory levels despite the uncertain environment.

As far as strategic products are concerned, with reference to Sparkasse Auto, the presentation of the NLT service continued with the support of the Key Account expert of the Competence Centre Service, in order to be able to enter corporate customers. Particular attention was also paid to financial instruments such as leasing, which benefited from the new partnership with the subsidiary Civibank S.p.A., and factoring, for which the sales network was able to count on specialist internal support. Lastly, with reference to traditional banking products, we continued to propose more proactively endorsement loans and especially all forms of financing with reduced capital absorption (FCG, SACE, EIF).

An important aspect concerned training in the ESG area to offer know-how and provide effective answers to the growing demand for sustainability in the various areas of business.

Another significant development of the year was the creation of a new Corporate Business Unit within the subsidiary Civibank S.p.A. In the new Corporate Business Unit at Civibank, the headcount was completed, which now numbers four consultants and three assistants. It is believed that the management of the valuable portfolio of corporate customers through a specialised structure can lead to good results in line with what has been achieved in previous years in the Parent Company.

PRIVATE BANKING FOCUS

The Private Banking business unit includes the management and marketing of banking and financial products/services and credit brokerage aimed primarily at private customers with significant assets; this segment also includes customers who declare that they own significant assets, even if they are partly held at other institutions, customers who earn a high income or have a high standard of living; last but not least, it also includes companies with high liquidity.

The year 2023 was characterised on the one hand by a significant increase in assets under management and, in particular, investments in government bonds, driven mainly by the increase in market rates that characterised these investment instruments, and on the other hand by lower customer interest in respect of assets under management.

The opportunities for development on the target of Private Banking customers, as described above, are significant in consideration of the fact that the wealth of individuals is expected to increase despite the current geo-political and economic situation.

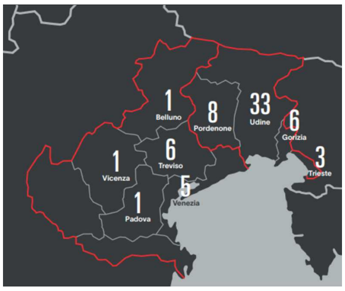
Clients with large assets are constantly on the lookout for alternative investment opportunities and, for this reason, Sparkasse Private Banking also offers its clients services other than investment advice, such as succession planning, customised insurance solutions, as well as initiatives in specific sectors such as art, also by organising events in cooperation with external partners.

During the financial year just ended, the new Asset & Investment Advisory Unit was created with specific expertise in the evaluation of complex asset allocations.

The Parent Bank is a member of the Italian Private Banking Association (AIPB), thus also keeping abreast of industry trends as well as future challenges in a complex market where personalisation and sustainability will be increasingly important.

Great attention is also paid to the managerial training of Private Banking advisors, both through internal training programmes and through specific collaborations with leading providers of specialised training in the investment field.

CIVIBANK



At 31 December 2023, the Bank's territorial structure consisted of 64 operating branches.

Main aspects of commercial activity

The subsidiary CiviBank continued its commercial policy of implementing initiatives aimed at achieving the objectives set as part of a direct and transparent relationship with customers.

1. *Private Markets*

a) *Retail: consumer loans and personal and asset protection products*

The Retail Market's lending activities in 2023 confirmed the focus of production mainly on the segment of mortgages to private individuals and consumer credit.

With regard to mortgages, in the second half of 2023, the products already available to the CiviBank Network were made available to the Sparkasse Network, which brought new operational opportunities - in particular, the possibility of stipulating fixed-rate mortgages with maturities of up to 30 years and financing insurance coverage with ad hoc credit lines - in order to ensure that households with an adequate offering could access housing.

These new commercial opportunities have allowed for a broadening of the target market segments: in fact, in addition to supporting the segment of mortgages for young people under 36 - with the use of the Guarantee Fund for First Home Loans Law 147/2013, which provides a free government guarantee for families meeting the requirements on the mortgage transaction - the development of additional customer segments with greater added value and different LTV requirements was added.

With regard to personal loans/consumer credit, the commercial offer maintained the range of products with disbursement of both own funds and by developing instruments and various operations of qualified partners, such as Cofidis and, for Salary-backed loans, Pitagora.

It should be noted that the financial year was characterised by the migration to the Group's single IT outsourcer, which entailed the revision of operational processes with repercussions on the operations of the sales network and branches involved, moreover, in constant operational and advisory training activities.

The bancassurance business also maintained a wide range of products dedicated to the protection of individuals and assets in collaboration with the Swiss insurance Group Helvetia and the Trentino Group ITAS.

b) *Asset Management/Private Banking/Wealth Management: savings and investment products*

2023 was a complex year for the financial markets given the disinflation process in the Eurozone, the simultaneous level of interest rates in developed markets raised to the highest level in the last two decades through a strong monetary tightening, the significant economic growth in the United States and the slowdown of the Chinese economy.

The equity market recorded a good performance (S&P500 index at an all-time high with an increase of around 25%) but with volatility diverging from that of the fixed income market, which remained at high levels.

As in the case of consumer financing business, the private customer asset management business was also affected by the migration to the Group's single IT outsourcer, which entailed a review of operating processes, it should be noted that in the second half of the year, the commercial offer of savings products began to evolve on the new applications (e.g. the financial advisory platform for investment services Civi360), with important growth expectations for 2024.

c) *Payment and digital services*

The Bank is active in initiatives aimed at innovation and digitalisation of products, services and processes, collaborating with its technological and product partners.

The increase in the use of internet banking services continued, and during 2023 the migration of CiviBank's IT systems to those of the Parent Company took place, with the adoption of the private ON online banking platform. This allows - from the Banking Group's perspective - to be able to use the same IT services, with the related synergies and the development of new functions on the platforms, managed for both banks with a view to complete alignment.

The security measures implemented confirmed their effectiveness, in consideration of the minimal amount of fraudulent phenomena, unfortunately due to the failure of some customers, victims of fraud, to comply with the recommended security practices.
The payment card segment also achieved positive results in 2023. The transition to contactless technology is substantially completed and all payment cards allow payment in this way; while the transition from signature to PIN for credit cards, a method that has always been adopted for debit and prepaid cards, is at an advanced stage. In particular, for debit cards, 2023 is characterised by the start of the transition from the Bancomat®/Maestro® co-badget cards to the debit cards operating on the international MasterCard circuit, by decision of the MasterCard itself. The alignment of the portfolios produced at Group level saw, among other things, the launch of the "CiviBank Card" (debit card operating on the international MasterCard circuit in the second half of the year, after the transition of IT systems).
The roll-out of mobile payment services continues, both on the usual national and international circuits, with partner Nexi, through the applications Nexi Pay, Apple Pay, Google Pay, Samsung Pay, Garmin PAy, etc. Through the apps, in addition to performing payment transactions, it is possible to maintain full control of card operations and receive notifications on payments made. Over 20% of customers have activated a mobile wallet and are able to make payments without material use of the card, with a clear prevalence of the Apple Pay system, which is extremely popular among IOS mobile phone owners.

2. *Loans and Business Services*
   a) *Loans*

As part of its product portfolio, CiviBank was characterised by the constant use of subsidised instruments made available at supranational, national and regional level; this allowed the Bank's business customers to access credit more easily with advantageous conditions.

To support the investments of business customers (SMEs and large companies), particularly in the Friuli area, the Bank continued the use of regional revolving funds (FRIE and Development Fund). These instruments have allowed companies to access credit with subsidised rates (very advantageous compared to normal market conditions, also considering the increase in rates in recent months), also receiving from the Region an additional non-repayable contribution of 5% of the financed amount.

In support of investments, CiviBank continued to offer customers the leasing service, as an alternative and/or complementary instrument to revolving funds, combined, where possible, with the "Sabatini Nazionale" contribution and for investments in Friuli-Venezia Giulia also with the "Sabatini FVG" contribution.

Again with a view to facilitating businesses and facilitating their access to credit, to accompany operations for investments or aimed at liquidity requirements, the Bank proposed, where possible, the consolidated instrument of the Central Guarantee Fund and the Agreements with the largest and most important Confidi in the territories in which it operates.

Also for 2023, there was the possibility of offering customers transactions with funding deriving from the funds made available to the EIB (both for leasing and financing transactions). This allowed corporate customers to access medium/long-term transactions with rates at more advantageous conditions than those with ordinary funds and exempt from the substitute tax (0.25%), which instead weighs on traditional loans beyond 18 months.

The Bank also supported customers in liquidity and investment transactions with other subsidised instruments: the Guarantees issued by Sace, the EIF, EIF EGF and Veneto Sviluppo Guarantees and transactions with funding made available by FRIULIA.

Finally, also in the agricultural sector, CiviBank has supported companies in the sector in their requests for liquidity and/or transactions against investments, in particular with the use of the subsidised instruments made available by the Friuli Venezia Giulia region, (Rotation Fund LR 80 and ISMEA guarantee).

The direct management of all the subsidised instruments described above has allowed CiviBank to create a high level of expertise on the subject, thus offering specific consultancy and tailor-made financial proposals to client companies. Moreover, CiviBank's in-depth knowledge of the instruments has led the Bank to have a close relationship of collaboration with the Managers of the various facilities; in particular, the collaboration with the Friuli-Venezia Giulia Region has made it possible to continue the offer of specific subsidised facilities for enterprises in the Friuli region.

b) Payment and digital services for businesses

Internet banking services were also migrated to the new ISI-business application, which is in use by more than 10,000 active companies and with a preponderant share of dispositive transactions channelled through electronic channels.

The consolidated trend of spreading POS terminals continues; in this context, the Group has adhered to the ABI protocol and will implement solutions to mitigate the incidence of the costs of electronic transactions up to Euro 30, especially "micro-payments" of unit amount up to Euro 10 to be borne by merchants with revenues and fees relating to the previous tax year of an amount not exceeding Euro 400,000.

c) The leasing market

The Bank continued its development of the leasing product, confirming the quality of the service offered. The direct management of the product, by means of a specific division, made it possible to develop a complete service to customers, combining the benefits of lease with the consultancy and management of national Sabatini and regional Sabatini facilities in Friuli-Venezia Giulia, as well as the use of subsidised funds and MCC and Confidi guarantees, in a single offer and a single customer service. Operations covered not only the capital goods and real estate sectors, but also the nautical and vehicle sectors, which are the subject of the greatest growth in the market, as well as prevailing in terms of both volume and number of transactions, typically the prerogative of specific product companies The Bank's wide-ranging specialisation has thus enabled it to serve its customers in a comprehensive manner, covering all their needs and creating new business development opportunities, including with new customers. Product diversification has resulted in excellent risk diversification both by counterparty and by asset type, with clear benefits in terms of risk containment. Lastly, a servicing activity was launched for the Parent Company, with the first transactions in favour of Sparkasse customers, with a view to synergism at Group level.

6.2 Interest rate and condition policy

In 2023, interest rate policy was crucially affected by the monetary policies undertaken by the ECB from time to time to cope with the macroeconomic environment. Therefore, the reference rates EURIBOR and IRS, to which most of our lending products are indexed, have shown a steady and marked growth curve that has inevitably traced the trajectory of the rates offered and applied to customers. In terms of spread positioning, a policy was adopted that took into account the reference market, adjustments to the cost of risk and capital, as well as the levels of the refinancing cost, in particular forward-looking. In the funding segment, remuneration was also adjusted to the context, recording the gradual increases on restricted technical forms.

6.3 Commercial initiatives, communication and marketing activities

SPARKASSE: NOW ALSO PRESENT IN EMILIA ROMAGNA. LEADING NORTH-EAST BANKING GROUP

The Sparkasse Group is one of the main banking players in the Northeast. The year 2023 saw the opening of the first branch in Bologna, Emilia-Romagna.
Sparkasse is a territorial bank that operates as a protagonist throughout the Northeast. After having developed important relationships with primary customers in Emilia-Romagna, the opening of the branch, specialised in the Private and Corporate Banking sectors, represents confirmation for further development and a clear will to compete in segments where customers ask for dedicated specialised services.

The specific initiatives carried out by the two banks are reported below

SPARKASSE

NEW COMMUNICATION CAMPAIGN: SPARKASSE PROPOSES ITSELF AS AN "OMNI-CHANNEL" BANK

Over nine out of ten customers access the bank using different channels and in a combined manner, and there is growing appreciation for banks that offer the possibility of having "tailor-made" solutions. The year 2023 saw the launch of a new, important communication campaign on local TV, on social media, online and in cinemas, with the aim of informing both current and future customers that Sparkasse is an omnichannel bank. We offer products and services both face-to-face and remotely, guaranteeing customers an integrated experience, wherever and whenever they want to use them. Omnichannel is an indispensable element for a convergence of traditional channels with more innovative ones, to allow a new process with the customer without time or device limits. The campaign, therefore, speaks of the phygital service, which combines the best of the physical and digital worlds. A series of short, entertaining and engaging videos were created to illustrate the "Sparkasse Meet" remote consulting service by presenting everyday situations that people face.

PROTECTION TRAVEL COMMUNICATION CAMPAIGN

With a dedicated campaign, the Bank wanted to promote the new Protection Travel policy, the comprehensive and modular cover that can be purchased directly online. Protection Travel is the ideal solution for anyone who is planning a holiday, study or business trip and wants to protect themselves against the unexpected. The Protection Travel policy provides for 24-hour healthcare assistance and the reimbursement of medical, pharmaceutical and hospital expenses during all phases of the journey. In addition, the insurance offers a Plus version that provides a package of additional guarantees, including: damage to personal belongings, theft, trip cancellation, flight delay and extension of stay in case of illness.

BOX PRODUCT COMMUNICATION CAMPAIGN

In the 2023 financial year, two communication campaigns were launched, the first at the beginning of the year with a "winter offer", the second in the summer months following the motto "There is a sea of opportunities for your savings", offering, through the BOX service, an attractive rate of remuneration for amounts on the current account that are not used for a given period. The interest rate market has experienced strong increases since mid-2022, and the Bank has acted accordingly by offering its customers attractive returns on different types of maturities.

SPARKASSE meet - the new unit specialised in remote consultancy

The Bank has launched a new Business Unit dedicated to Remote Consulting. The support team was initially dedicated exclusively to customer support; the activity was progressively expanded, supplementing it also with assistance on all major aspects of remote business consulting for private customers.

The service is available with extended hours compared to branch hours and operates with a digital service model that allows the subscription of products and services remotely, including investment and protection solutions.

The mission is precise: to be close to the customer, integrating an additional method of contact with the Bank to guarantee an excellent service experience in all its phases, from operational and support emergencies, to remote purchases and the management of the after-sales of products and services phase. The strategic value lies in the development of an effective omni-channel bank projected towards the future and in the related enhancement and further development of the digital skills generated.

In the autumn a new impactful image campaign was presented to customers, with an innovative format and distributed mainly through social media and digital channels with the slogan "Nice to meet you!" and the claim "Like going to the bank, but more convenient", representing situations of everyday needs where the service offered by Sparkasse Meet can be an effective and efficient answer, thus contributing to the awareness not only of the service but also of the name of the specialised service: SPARKASSE meet. The video campaign also made use of digital/distance elements, focusing on distinctiveness, i.e. offering remote, telephone or video call "meetings" between customer and advisor.
SPARKASSE meet therefore introduces a further "*way of banking*", i.e. the possibility of carrying out consultancy and product or service subscription activities entirely remotely, but with the support of a specialised consultant, effectively responding to an increasingly marked market evolution.

SPARKASSE ON – the online service platform

Sparkasse enhances its Internet Banking dedicated to private customers, ON, with the current account aggregator. This is an innovative digital service, so far only offered by online banks and some national banks: customers can merge their bank accounts with other banks within Sparkasse online banking, ON, at no extra cost, and view their balance and movements, as well as order SEPA transfers. Customers thus have the flexibility to monitor and manage the liquidity available in several accounts, even at other banks, in a single interface, eliminating the need to switch between different banking platforms.

Remote services expanded

The scope of processes offered remotely has been, in recent years, significantly expanded. Many sales and post-sales management processes have been enabled for remote operations with digital signature through ON. Customers can sign more than 150 forms and contracts through the digital signature integrated in ON. This is a great step forward in terms of efficiency, simplicity, environmental sustainability and agility. In addition to facilitating the signature phase, guarantees the automatic digital archiving of documents.
To sum up, the benefits of "digital collaboration" are:

- To allow customers to have a direct line with their consultant or branch: by contacting Sparkasse Meet through chat with operator, carrying out a video consultancy with their manager or signing a form or contract through ON.
- To complete a sales or after-sales process with greater agility, without the need for the customer to go to the branch. A sustainable choice that contributes to limiting CO_2 emissions by avoiding potential travel.
- Customers can consult documents, which they have digitally signed, directly in the "Documents" section in ON that are digitally archived automatically. The digitalisation of processes helps to save resources, reducing printing and contributing to a more informed use of paper.

SPARKASSE CARD

The new "Sparkasse Card" debit card, in addition to the payment and withdrawal functions, allows you to operate your current account independently and in complete security. This is an international debit card, issued on the MasterCard circuit, which has all the functions of a classic debit card and several others that make it an innovative tool. It can be used to make purchases, including online, with a smartphone or smartwatch, by digitising the card through the device's wallet. In addition, it is possible to deposit cash and top-up smartphone credit at the Bank's ATMs. Other benefits are the included multi-risk policy with dedicated insurance coverage for purchases and travel and 24/7 assistance for card blocking in case of theft or loss. The customer can also view all transactions made with the card.

NEW COMMERCIAL PARTNERSHIP WITH ALLIANZ

An important commercial partnership was launched with Allianz S.p.A., a new partner in the world of insurance savings. Since autumn 2023, the new Class I and MultiRamo Insurance Investment products have been available to customers. The launch of this collaboration allows the Bank to enrich its range of products intended for financial advisory, its offer of insurance investment products built and managed by a partner of excellence that features the fundamentals to make it one of the strongest brands in the world. Thanks to the new partnership with Allianz, the Bank is able to offer a Class I product, ideal for those who want to invest their savings in the Separate Management of Allianz, and a MultiRamo for those who at the same time want to seize the opportunities offered by the financial markets. Allianz S.p.A. is part of the Allianz SE group, one of the largest insurance players in the world, present in over 70 countries. Its authority is also recognised by the rating agency Standard & Poor's, which assesses the solidity and solvency of Allianz SE with a rating of AA, unchanged since 2007.

PARTNERSHIPS WITH ARCA PREVIDENZA

With the aim of expanding the Bank's offer on supplementary pensions, Sparkasse signed a new partnership with ARCA Previdenza, the largest Open-End Pension Fund in Italy. The inclusion of ARCA Previdenza makes it possible to enrich the offer in terms of supplementary pensions, which also includes segments for which the integration of sustainable and responsible investment principles is expected. The fund is structured in four investment breakdowns differentiated by Asset Allocation and risk/return profile, including one with capital guarantee (Obiettivo TFR). With the innovative Life Cycle Program it is possible to adjust the type of investment in the Pension Fund over time. ARCA Previdenza also participates in the "Risparmio Casa" project, supported by the Autonomous Province of Bolzano.

THE NEW CREDIT HUBS: EFFICIENT AND DYNAMIC

The "Credit HUB" model, introduced in 2022 for medium-small branches, has established itself as a valid model for standardising credit quality. The analysis of the average processing times confirmed full compliance with the service levels for all segments ("individuals", "companies" and "reviews"). For 2024, the model is expected to be gradually extended to the entire Retail structure, including large branches, in order to create more space for advising and assisting customers and to relieve the branches of the task of processing credit files.

CORPORATE BANKING

The Corporate Banking segment has evolved, during the year, in terms of services offered to corporate customers. In particular, companies are provided with a team with many years' experience in Subsidised Finance, offering specialised advice to support investments and financial needs, establishing a partnership based on competence, professionalism and trust. Investments and working capital must be carefully planned. To finance them, Cassa di Risparmio di Bolzano offers access not only to local or regional support measures, but also to national and European instruments. The Sparkasse team develops agreements and services dedicated to companies and analyses specific financial needs in order to offer tailor-made solutions for different needs. The services offered consist of instruments to support working capital and investments, with innovative features compared to traditional banking products. In support of the Bank's companies, a team of specialists provides specific consultancy for access to the benefits of the NRRP (National Recovery and Resilience Plan), both as regards the adoption of the most suitable financial instruments to be combined with the public resources envisaged, and for the implementation of projects of sustainable growth in line with the objectives of the NRRP missions. The areas were also extended to the green and sustainable transition sectors, continuing to paying particular attention to the sectors in which the Bank has historically focused, such as tourism, agri-food and manufacturing.

PRIVATE BANKING

Throughout the year, a number of exclusive events were organised, reserved for selected clients, with renowned speakers, focusing on investments and topical issues, such as "How Finance deals with climate change", "Why everyone should do family and estate planning". In addition, the Bank edited the publication dedicated to the topic “Collecting Art”, presenting it and distributing it to involved customers. Video interviews were created with the individual Private Bankers of the Bank, to present them and make them better known.
The updating of savings products continued, expanding the offer with new funds. Collaboration with important world leaders in asset management has intensified, including UBS, Eurizon Capital, Anima, Fidelity, Pictet, Pimco and Vontobel. These were joined by JP Morgan, Arca and Etica in 2023. A support and guidance tool, very useful and well received by the customers, is the so-called "model portfolios", developed and updated by the Investments Committee of the Bank, which offer the investors an authoritative reference for their choices.
Other useful tools are the "Daily Market Update" reports, sent via newsletter to over a thousand investors, and the semi-annual financial market guide "Investment Compass", included in the company magazine "Journal".

THE OPENING OF NEW BRANCHES WITH INNOVATIVE FORMATS CONTINUES

The innovative model was designed through the integration of traditional physical channels and advanced digital systems which transforms the classic banking model into a unique environment, maximising the relational, consultative and technological aspect. In 2023, the Feltre (BL) and San Candido (BZ) branches were renovated with this concept; in addition, a new branch was opened in Trento Nord.

SUSTAINABLE MOBILITY: SPARKASSE AUTO

The offer of the Long Term Rental service, both for private and corporate customers, promoted under its own brand SPARKASSE AUTO, continues thanks to the well-established partnership with Autosystem S.p.A., a company specialised in this sector and participated by the Bank. The relevant web showcase at www.sparkasseauto.it is always updated with new offers.

SHAREHOLDERS – LINK WITH THE TERRITORY AND BANK'S "ASSETS"

Sparkasse has about 23,500 shareholders who represent a fundamental asset for a local bank like ours. This important number demonstrates the relationship that unites the Bank with its Members.
The same can benefit from a series of dedicated products and services, with favourable conditions. Thus, for example, Shareholders with a minimum of one hundred shares are offered two package current accounts with special benefits and associated services at very valuable fees: Platinum Account and Silver Account.
The Sparkasse Club, reserved for the Bank's shareholders and accessible via the dedicated website www.clubsparkasse.it, is experiencing growing success. It represents real added value, is free for Shareholders; the advantages offered are many.

HUMAN RESOURCES: A PRIMARY ASSET FOR SPARKASSE

The growth and affirmation of a company hinge on the quality and motivation of its collaborators, which, in relations with customers, is a fundamental element and constitutes a distinctive factor. The future of the company is built with people and it is thanks to the contribution of the Bank's employees that we are able to add value and be a successful company.

Over 100 new hires

The recruitment process is as important as the organisation of the personnel; it is equally important to know how to seek, recruit, motivate, involve and enhance human resources. 2023 was a year full of new hires. 122 talents joined us, and 77% of them are under 34. The new hires are part of the generational turnover and growth program. And to develop also means to be able to manage the "turnover" of staff, mainly due to retirements. The Bank's objective is to best motivate new colleagues, retaining them as much as possible. At a dedicated event, under the slogan "Welcome on board", the Bank has welcomed the new colleagues. The new hires were greeted by the Chief Executive Officer and the General Manager, as well as by the Department Managers, who conveyed an overview of the Bank, sharing its values, project and responsibilities, and answering the many questions posed by the new hires.

Corporate welfare

The Bank is constantly looking for new people who want to grow within the company. It is therefore essential to provide corporate welfare measures that maximise the value of employees. For example, the Bank offers insurance policies and pension funds that give peace of mind to employees and their families, and introduces new opportunities, such as the use of the new company gym which consists of a 400 m2 room, with five-a-side football, basketball and volleyball courts, and a well-equipped room for bodybuilding. The Bank offers a great deal of training, thanks to the company Academy; each employee can benefit from an average of 45-50 hours of training per year.

COMMUNICATION TOOLS

To support the achievement of the corporate objectives, Sparkasse has been very present in traditional and digital media in terms of product and institutional communication. Among the online communication tools, the presence on the most important social channels, LinkedIn, Facebook and YouTube, to which Instagram was added in 2023, was increased, achieving considerable growth in interactions and significantly raising the number of followers and likes. In particular, Sparkasse on the social network Facebook reached and exceeded 30,000 followers in 2023. The number of interactions with the Facebook page and with the posts is high in percentage, even compared with competitors. The Bank is also active on LinkedIn which is the main social network in the workplace. Social media are efficient tools that make it possible to strengthen the relationship with customers, to get in touch with prospective customers and to increase brand awareness.

Cassa di Risparmio di Bolzano saw a constant presence not only in the local media, but also in the major national financial media such as "Il Sole 24 ore", "Milano Finanza" and on the economic pages of "Corriere della Sera". To these were added economic-financial web channels, such as "Class CNBC" of Milano Finanza. Throughout the year, communication activities, with timely press releases, were further developed and intensified in support of the main initiatives and activities undertaken by the Bank.

A series of marketing campaigns and initiatives were exploited by using the whole range of channels and media available: in the press, television, radio, online, billboards, trade marketing tools, which were also joined by several web, digital and direct marketing actions and organisation of specific events.

Successful and gaining more and more readers is the "Journal", which was published in the financial year 2023 for the first time as a magazine of the Sparkasse Group. The biannual magazine for customers, shareholders and employees, where they can read articles on topics involving the bank, receive information on products and services offered as well as a series of in-depth articles on current topics affecting the economy and finance. The periodical also dedicates ample space to prominent personalities.

CIVIBANK

CiviBank employees - a close-knit team, a winning team

CiviBank is made up of a strong team of over 566 employees. The objective of the Bank is to develop talent, enhance diversity and reward excellence. CiviBank promotes a corporate culture aimed at enhancing its collaborators, aware of the fact that the contribution of collaborators is what first creates added value in the company. People represent a fundamental element for the achievement of the company's objectives. For this reason, personnel management is aimed at enhancing everyone's skills and abilities and offering effective opportunities for their development.

6.4 Territory, public relations and sponsorships

In addition to its banking activities, the Sparkasse Group is particularly attentive to the life and support of its local community, which it supports through numerous economic, sporting and cultural initiatives.

SPARKASSE

Territory

LDV20 – the Business Unit supporting digital manufacturing development in the Northeast

LDV20, Sparkasse's Business Unit dedicated to startups and entrepreneurial innovation, has entered into a partnership with Industrio Ventures, the first hardware accelerator in Italy, founded with the aim of accelerating and investing in innovative product startups operating in Industry 4.0, robotics, IoT, computer vision and other technologies that can concretely help companies. This collaboration was created with the aim of supporting the development of innovative manufacturing in the Northeast and represents an opportunity for the development of start-ups and, at the same time, a further channel of possible access to innovation for more mature and developed companies in the area.

Partnership with Fintech District

LDV20 has also signed a collaboration agreement with Fintech District with the aim of growing in the fintech sector, through the know-how of the international community of the District, a reference point for the sector and for the Open Innovation in Italy. The "Fintech District" community, which more than 260 fintech and insurtech companies have joined, allows LDV20 to delve into all segments of the industry, including Payments, Lending, Neobank, Cybersecurity, AI and Machine Learning, WealthTech, Crypto and DeFi. The Fintech District is the gateway to the world of Italian Fintechs and attracts important national and international stakeholders. The community boasts multiple collaborations with public institutions, investors, professionals, financial institutions, international innovation hubs, universities and companies. Continuous updating on innovation issues is a focal point of the Sparkasse Group's LDV20 Innovation Lab.

New open innovation platform

As part of RADAR, the entrepreneurial innovation service of LDV20, an open innovation platform was created aiming at becoming a meeting point between innovation and business. The platform makes it possible to structure and manage all open innovation initiatives in a single space.

Startups have the opportunity to register for the program to keep up-to-date on the innovation opportunities present in the market and propose to collaborate with companies in search of innovative solutions.

Companies, clients of the Sparkasse Group, propose calls, and the LDV20 team, together with the requesting company, will then choose the startup that best meets the set out requirements.

The new digital platform will help businesses and marks the launch of a new service model in the relationship between the Bank and the companies. The platform is part of the Osservatorio Innovazione e Cultura (Innovation and Culture Observatory), conceived by LDV20, which aims to identify emerging trends, technologies and startups able to offer added value to the bank and its customers.

Partnership with Confesercenti Alto Adige

Confesercenti Alto Adige, which represents small and medium-sized enterprises in the tourism, trade and services sectors, gathered in 70 trade associations, and Cassa di Risparmio di Bolzano have signed an important partnership agreement. Among other things, it provides for the offer, reserved exclusively to Confesercenti shareholders, of a complete package of products and services at favourable conditions. Following the agreement, the management of Sparkasse and Confesercenti Alto Adige strengthened their partnership. The top management of both institutions met in order to officially start a successful cooperation under the signed agreement. Sparkasse has confirmed its role as primary partner of the important business segment grouped in Confesercenti Alto Adige also at the event dedicated to the 50th anniversary of its foundation, which took place at Mareccio Castle in Bolzano.

Agreement with CNA Alto Adige

"Confederazione degli artigiani e delle piccole e medie imprese CNA Alto Adige" [Confederation of craftsmen and small and medium-sized enterprises CNA Alto Adige] and Cassa di Risparmio di Bolzano have signed a new agreement offering CNA members the Sparkasse Auto long-term rental service at favourable conditions for cars and vans, including cars with electric or hybrid power. The agreement includes, in addition to a privileged and exclusive economic benefit, also a number of advantages. In fact, the long-term rental includes stamp duty, insurance, maintenance, assistance, roadside assistance and more, all bundled into a convenient monthly fee.

Round table with the business world in Veneto

A round table in order to start a productive collaboration between Sparkasse and the business world in Veneto. The event, held in Padua and promoted by the Regional Council of the province of Belluno, saw the participation of the most significant representatives of the local trade world, first and foremost Confcommercio Veneto. The event focused on the local economy and trade.

Euro 50 million ceiling to support customers affected by bad weather

The Sparkasse Group has allocated a ceiling of Euro 50 million for loans at a subsidised rate to support customers affected by the damage of bad weather throughout the Group's areas, Trentino-Alto Adige, Lombardy, Veneto and Friuli-Venezia Giulia. The loans, which were disbursed at preferential rates compared to normal conditions, were intended to support customers with advances for possible insurance repayments or medium- to long-term financing for investments to repair damage. With this initiative, the Bank wanted to demonstrate its willingness to contribute to helping people and companies affected by bad weather.

Charitable activities in collaboration with Caritas

In collaboration with Caritas, a charity activity was carried out in favour of earthquake victims in Turkey and Syria. Customers were able to donate 1 euro to charity when withdrawing money from the bank's ATMs. In this way, in two months, Euro 31,571 were collected; Sparkasse subsequently increased the amount to € 35,000. The funds were used by Caritas to help people in need. Drinking water, non-perishable food, blankets, clothes, hygiene items and items for babies were distributed, and temporary shelters were made available.

Support for people affected by the flood in Emilia-Romagna

Also with Caritas, a fundraiser was organised for the people affected by the flooding in Emilia-Romagna, particularly in the Diocese of Faenza-Modigliana, one of the stricken areas, where many elderly people also live. Thanks to the customers, who also in this case donated 1 euro, using the 170 ATMs, Euro 23,316 were collected Starting from this figure, the Bank increased the amount to Euro 30,000. The amount was delivered to the Director of Caritas of the Diocese of Faenza-Modigliana, Don Emanuele Casadio, who thanked Cassa di Risparmio and its customers. With the funds made available, assistance was provided to the flood victims, in particular through the Caritas Food Bank.

Public Relations

15th Global Forum Südtirol in the name of reliability

The 15th Global Forum Südtirol was held at Eurac Research Bolzano, dedicated to the theme "Valore aggiunto Affidabilità" [Value Added Reliability], with Sparkasse as main sponsor. During the meeting, issues concerning the reliability that underlies many other values, which could not exist without it, were explored. Over 300 personalities from the world of politics, the economy and society were present. The Global Forum Südtirol constitutes a unique network of decision makers, an independent "think tank" that provides insights and development on global trends and issues of the future.

South Tyrolean Economic Forum

For 20 years Sparkasse has been the main sponsor of the South Tyrolean Economic Forum, a stimulating meeting point for freelancers, entrepreneurs and managers, a regular event for the economic fabric, not only local. The last edition was dedicated to the topic "Competitiveness of the territory. Technology. Innovation. Entrepreneurship. Values". Speakers included entrepreneurs and experts from the business world. The Forum is the ideal platform for an exchange of knowledge, ideas, and experience. The group of participants extends far beyond Alto Adige and offers excellent opportunities to reflect on their actions, obtain innovative impulses, cultivate dialogue and contacts with acquaintances and partners.

Forum on Economy & Sustainability

The first "Forum on Economy & Sustainability" was held, organised by the newspaper Alto Adige, with Cassa di Risparmio di Bolzano as protagonist and testimonial. On the occasion of the Forum, the "Economy & Sustainability" dossier was presented, which was also enclosed with the newspaper, and in which important and strategic topics for the Bank in this area were given.

The Bank confirms its position as a "Sustainability Leader"

Sparkasse confirms its position as a "Sustainability Leader", obtaining the important recognition also for 2023. Within the scope of the third edition of the initiative, edited by the daily newspaper "Il Sole 24 Ore" and the analysis company "Statista", aiming to identify the companies in Italy most committed to the ecological, ethical, social and governance transition, Sparkasse was confirmed as "Sustainability Leader" also for 2023. About two thousand companies operating in Italy, were subjected to a survey concerning the analysis of 45 indicators that pertain to the three dimensions of sustainability: social, environmental and economic. Sustainability reports, non-financial statements and integrated financial statements were analysed. The subjects of the survey are, among others, energy consumption, use of energy from renewable sources, emissions, waste management, water consumption, accidents at work, welfare policies and social responsibility actions, turnover rate, diversity, but also transparency and economic sustainability. Only 200 companies were selected, divided into 24 business sectors, including Sparkasse.

Among the most climate-conscious companies

Cassa di Risparmio di Bolzano is among the 10 most climate-conscious banking companies in Italy. An award received for the ability to reduce its emissions in relation to its turnover, i.e. having been able to reduce emissions while increasing revenues, thus demonstrating that less CO2, and a greater focus on the environment, can be well combined with growth. Sparkasse received the certificate for "The most climate-conscious companies 2023". The survey conducted by Corriere della Sera in collaboration with the analysis company "Statista", took into consideration over 700 companies in Italy, selecting the 100 most successful from the different sectors. The objective of the initiative is to reward those who have included the environmental impact in their strategic plan without giving up on expanding, demonstrating that less CO2 and greater attention to the environment, however, allow growth.

Awarded the "ESG Identity - IGI Company 2023" recognition

The Bank also obtained the "ESG Identity - IGI Company 2023" certificate as part of the quantitative analysis of the degree to which ESG factors are integrated into corporate strategies. Accepting the challenge of IGI means investing in dialogue and discussion on the issue of ESG (Environmental, Social and Governance) factors, in the name of the capacity for engagement with stakeholders and interaction. The award comes as part of the IGI, a scientific project developed by ETicaNews, a newspaper dedicated to ESG in the area of business and finance. The IGI is the first quantitative index to measure the integration of ESG criteria within corporate governance. This project represents the first observatory in Italy and Europe on sustainability governance, i.e. the level of integration of non-financial criteria (ESG) into good corporate governance. The analysis as part of the 2023 edition was conducted on 80 listed companies and 18 unlisted companies in Italy.

"Regional Excellence" Award presented to the Bank

Sparkasse was selected as one of the candidate banks for the Banking Awards, an event organised by the well-known economic-financial daily Milano Finanza and Class CNBC to reward the leading companies in the financial sector in Italy. This is an award of national importance, in favour of the Banks and its protagonists, to those who have performed best in the last 12 months, achieving results of excellence. As part of the 2023 Banking Awards, the Bank was awarded the "Regional Excellence - Trentino Alto Adige" recognition.

Cassa di Risparmio di Bolzano among the Top 20 banks in Italy

Cassa di Risparmio di Bolzano among the Top 20 Italian banks. In the ranking drawn up by the 58th edition of the study on Italy's leading companies, compiled by Mediobanca's research area on the basis of the 2022 turnovers of 3,310 companies, Sparkasse is a "new entry" in the top 20 which is based on total tangible assets. The entry, in 19th place (having climbed 4 positions compared to the previous ranking) is also due to the entry of Banca di Cividale into the Sparkasse banking group.

Among the Top Ten Current Account

Following the survey of the German Quality and Finance Institute (ITQF) on the conditions of current accounts in Italy, Sparkasse ranks among the TOP CURRENT ACCOUNTS in two of the four categories proposed: YOUNG PEOPLE and PROFESSIONALS. The survey has analysed over 100 current accounts of around 50 national banks. The fact that we rank among the top ten offers nationwide confirms our ongoing commitment to offer high quality services with competitive conditions.

Il Sole 24 Ore: Sparkasse's offer is among the most attractive

"Among the most attractive is the offer of Sparkasse," writes the newspaper "Il Sole 24 Ore" in its edition of the end of April 2023. The assessment is made in an article about the survey of financial products for children and young people. Il Sole 24 Ore analysed the offer of several banks. The result confirms the ability to be competitive and attractive towards a relevant target such as that of young people.

"Let's Talk Business"

The initiative "Let's Talk Business - Breakfast with Entrepreneurs", which started successfully in Alto Adige, has been extended to Trentino and Veneto. Customers, owners of small and medium-sized enterprises among the most significant economic sectors, had the opportunity to interact directly with the Bank's top management. With this initiative, Sparkasse, which has always been close to the business world, wants, as a local bank and a qualified interlocutor, to further strengthen this close relationship.

Information booths at trade fairs

The bank was once again present with its own information booth at the annual **"Fiera Hotel"**, a trade show for hotels and gastronomy held in Bolzano, where the "Sparkasse Auto" service to promote long-term rental was also presented along with a customised car.

As part of the annual "**Fiera Edilizia Abitativa**", [Construction and Housing Trade Show], the Bank's staff provided personalised advice to those wishing to buy or renovate their home, illustrating the best solutions in the areas of financing and sustainability, ecobonus, and complete or partial renovation.

The "**Fiera Tipworld**" [Tipworld Trade Show] held in Brunico attracts around 15,000 visitors every year. Also here, the Bank, present with a booth, presented its products and services.

Artistic exhibition

"Colors – Omaggio alla diversità" [Colours - Homage to diversity] was the theme of the classic pre-Christmas exhibition and the related artistic calendar, focusing on colours and their variety, also drawing attention to the variety of cultures and people. As many as 36 art pieces were exhibited, both by artists from the Euregio, Tirolo-Alto Adige-Trentino, and internationally renowned personalities, reflecting the entire colour spectrum and creating an ensemble of all primary colours.

Sponsorships

For the Parent Company, sponsorships represent a significant marketing and communication tool, supporting the achievement of corporate objectives. The sponsorship relationship thus amounts to a reciprocal exchange of value of services and counter-performances among the parties, i.e. providing financial support to an organisation and at the same time obtaining a set of counter-performances in order to further its business objectives.

We dedicate significant resources to supporting initiatives in the area of sponsorships to support and consolidate relations with some stakeholders, i.e. the external environment from which the Bank draws its resources for its activities. The sponsorship activities, in addition to promoting the image and strengthening ties with the territory, represent an important relationship tool. Some of them are mentioned below.

Minibuses for sports clubs

In order to support sports clubs, the Bank may be asked for a contribution towards the purchase of a new minibus to facilitate the transport of athletes to training and competitions and to make their travel more comfortable. The contribution for a van also in the form of long-term rental may be provided, as part of the Sparkasse Auto offer. Over the past three years, more than 60 associations, including about fifteen in 2023, in the different regions have benefited from this form of support.

Team sports

For years Sparkasse has been one of the main sponsors of FC Südtirol/Alto Adige in football, a team that plays in "Serie B", and of the Hockey Club Bolzano Foxes, which competes in the cross-border ICE Hockey League. These are two top teams at national and international level, examples of passion, enthusiasm, motivation and commitment.

The Bank is the "golden sponsor" of A.C. Trento. The Trento Football Association, founded over a century ago in 1921, plays in the Serie C Lega Pro and also has an important presence in the youth sector.

Cassa di Risparmio is the VIP-Sponsor of two men's handball teams, both in the A1 division. These are the SSV Bressanone, which to date has won 2 national championships and 4 Italian Cups and whose handball section has been active since 1971, as well as the SC Merano Handball, also established over half a century ago, in 1972. In its history, it has won 1 Italian Cup and 1 Super Cup.

Sparkasse also supports the hockey teams HC Val Pusteria Lupi, HC Falcons Bressanone, HC Broncos of Vipiteno, Hockey Ritten Sport and the women's hockey team Eagles Bolzano.

The Bank is a sponsor of the men's volleyball team Trentino Volley, competing in the SuperLega and reigning Italian champion on its fifth win, as well as the women's teams Neruda Volley, Alto Adige Volley Südtirol (AVS) and SSV Bolzano Volley.

Also worth mentioning is the presence of the Bank in the sport of basketball, where it is a sponsor of the men's team of Serie A Aquila Basket Trento, and the women's teams ASD Basket Club Bolzano, playing in A2, and Pallacanestro Bolzano Sisters.

Tennis

Tennis is considered a complete and harmonious sport, as it requires excellent both physical skills, including coordination, speed and endurance, and mental skills, including tactics, reflexes and intuition.

Sparkasse is the main sponsor of the "Sparkasse Challenger Val Gardena". The most important tennis tournament in Alto Adige was won by Lukas Klein, who was ranked number 133 in the world and earned 50 points for the ATP ranking as well as prize money of around Euro 5,000.

The Bank also sponsors the ITF Future "Sparkasse Alperia Trophy", with a prize pool of 25 thousand dollars, organised by the Bolzano Tennis Club, a long-standing association of the capital city (established in 1929). The tournament was won by Giovanni Oradini, originally from Rovereto, who was already number 352 in the world ranking.

Other sports sponsorships

The collaboration with Assisport Alto Adige/Südtiroler Sporthilfe continued, with the aim of helping and supporting young sporting talents. For over 15 years, the Bank has been the official partner of the association, which has supported so far more than 1,500 boys and girls, of whom various have become top athletes at world level, like Dorothea Wierer, Laura Letrari, Manfred Mölgg and Christopher Innerhofer, winning Olympic, Paralympic, World and European titles. It is also the official sponsor of Unione Società Sportive Altoatesine USSA, which for more than 40 years has promoted sport in the territory of Alto Adige.

Sparkasse supports the young and promising cyclist Matteo Bianchi, a native of the town of Laives in Alto Adige who had an exciting year: among other things, he won the Gold Medal at the European Under 23 Track Team Speed Championships in Anadia, Portugal, and the Fiorenzuola International Track. He recently became European champion in the time trial kilometre. The young track cycling champion is now number 1 in the world in the standing kilometre, after having conquered the top of the world ranking in the men's standing kilometre specialty.

Economy

For over twenty years, Cassa di Risparmio has been the main sponsor of Fiera Bolzano, whose aim is to multiply relationships, connecting people, markets and ideas, including through different participation formats. Fiera di Bolzano is a meeting point for Italian companies and those from the German-speaking area and neighbouring countries, creating opportunities for collaborations.

The Bank is the main sponsor of Confindustria Trento, which represents the interests and collective identity of Trentino companies and which today has over 600 member companies which in turn employ 30 thousand employees and the "Duemilatrentino - Futuro Presente" initiative, promoted by Confindustria Trento and supported by The European House - Ambrosetti. This is a major vision project on the challenges and opportunities that are opening up for the Trentino system for its economic-productive strengthening. The Bank confirmed its role as primary partner of the important segment of industrial companies in Trentino also at the annual meeting of Confindustria Trento, held in Riva del Garda. It was an important opportunity to introduce ourselves as a qualified interlocutor of companies and to manage relations with the Trentino industry leaders.

Culture and Art

The Bank is a partner of major cultural events and is committed as a sponsor in cultural enhancement activities, supporting various institutions.

In the field of music, the "Südtirol festival Merano" is worth mentioning for its rich programme: an international and prestigious festival with various top-level orchestras. The Festival represents the excellence of events in Alto Adige, concerts of classical and baroque music, jazz and world music, chamber and vocal music with an audience from all over the world.

The partnership agreement with the Haydn Foundation of Bolzano and Trento, one of the most prestigious artistic institutions in Trentino-Alto Adige, continued. It promotes quality musical culture by offering the public unique musical experiences with the Haydn Orchestra.

The Bank is the main sponsor of the Beauty Festival, which in 2023 was a record edition with 47,000 attendees. From June to October, 40 cultural events were held in 22 symbolic places of the historical and artistic heritage in Italy, including in the most evocative locations of Verona, Vicenza, Padua, Venice and Milan, combining art, music, philosophy and entertainment. The leitmotif of the 2023 edition was: "Life that imitates art". The philosophy of the festival is suggestive: Italy is a world catalogue of Beauty. The Beauty of the territory is a heritage.

Focus is also placed on theatre activities. The institute is a sponsor of the Teatro Stabile di Bolzano which, after the Piccolo di Milano, is the second "Teatro Stabile" in Italy, and is one of the most important cultural institutions in the region. In addition, it is the official sponsor of the Teatro Cristallo as well as of the theatre activity of the Südtiroler Kulturinstitut (SKI).

CIVIBANK

CiviBank Società Benefit has a business model oriented towards a positive impact on the community. This also translates into economic investments aimed at the social, cultural, sporting and moral growth of the community.

Local initiatives

- CiviBank operates proactively through a strong investment in the future, for this reason it contributes to the organisation of the FVG Job Fair organised in Udine by the Association of Graduates of Engineering Management (ALIg). Over a thousand young people participate every year in this meeting aimed at promoting employment.
- CiviBank and Università di Udine have renewed their agreement to offer Executive Master in Business Administration (EMBA) students a low-interest loan under particularly advantageous conditions, with the aim of covering the costs of enrolling in the high-level academic path. In fact, the programme is dedicated to professionals and managers who want to accelerate their professional growth with a path of excellence.
- Organisation of meetings in support of local businesses on the subject of subsidised finance and the challenges and opportunities of the generational transition, in cooperation with organisations and professionals in the sector.
- CiviCrowd FOR 2030 is the special initiative developed by CiviBank to help non-profit organisations in the North-East to raise funds online and implement projects dedicated to health, quality education, equality and social inclusion.
- CiviBank supported the benefit concert "Ritorno a Trieste - Omaggio a Lelio Luttazzi" [Return to Trieste - Tribute to Lelio Luttazzi] organised in cooperation with the FVG Orchestra and whose proceeds were donated to the Community of San Martino al Campo in Trieste for an educational project in favour of school drop-outs.

Sponsorships

CiviBank, aware of the fundamental role it plays in the development of the socio-economic and environmental context, identifies its strategic choices and areas of intervention towards the community in line with the business objectives according to the principle of creating shared value. Knowing how to combine business logic with socially responsible action is a distinctive and characterising element for the Bank of its nature as a local bank. Only balanced economic and social development can foster the sustainable growth of an organisation.
As part of its statutory and institutional duties, CiviBank directly supports solidarity, cultural and sports initiatives for the development of the community in which it operates.

Promotion of sports

Team sports

Worthy of note are the support to the local basketball teams APU Amici Pallacanestro Udinese and United Eagles Basketball that play in the national A2 series and the contribution to the satellite women's and youth teams.
CiviBank supports women's volleyball by sponsoring the Imoco Volley team, winner of the Italian Cup.

The partnership agreement with Udinese Calcio, a historic sports organisation that plays in "Serie A", was also renewed along with the support for the youth sector.
CiviBank confirmed its support for the world of cycling by assisting the activities of local teams, including the A.S.D. Rinascita Friuli.

Other sports

CiviBank renewed its support for the team "Fast and Furio Sailing Team" that competed during the 55th edition of the Barcolana, the international sailing regatta that takes place in the Gulf of Trieste.
It also gave its support for athletics by sponsoring the "Città di Udine" International Marathon, a road running event included in the national FIDAL calendar.
The Friuli-Venezia Giulia Rally is also one of the events supported during the year: in addition to being a much-awaited event for enthusiasts, it allows participants and spectators to get to know and appreciate the beauty of the Friuli region.

Supporting the development of the local economic fabric

The Bank renewed its support for "Movimento Turismo del Vino FVG" [FVG Wine Tourism Movement], a non-profit association that counts among its members the most prestigious wineries in the Friuli-Venezia Giulia region. CiviBank sponsored the new edition of "Aria di Friuli Venezia Giulia", the festival of San Daniele ham and food and wine products from Friuli-Venezia Giulia. Craftsmanship in the food and wine sector is an appreciated and sought-after aspect, for this reason the Bank sponsors the Etica del Gusto Ets activities, a non-profit association that brings together more than thirty artisans from Friuli Venezia Giulia, employed in the pastry sectors, ice cream, bakery and chocolatier.
CiviBank was also the protagonist of the "Casa Moderna" [Modern Home] trade show, organised by Udine and Gorizia Fiere, as main sponsor. The annual event presents the best furnishing solutions for interiors and exteriors, showcasing local companies and products.

6.5 Public Entity Treasury

In 2023, the Parent Bank managed treasury/cash services for 144 Public Entities, the most important of which are the Autonomous Province of Bolzano, the Alto Adige Health Authority, the Social and Economic Development Agency - ASSE, the Institute for Social Housing - IPES, the University of Bolzano and 22 municipalities.

We have also incentivised entities to switch to the IT mandate in 2023; therefore, to date, only one entity remains in paper format.

The number of mandates and reversals at the end of the financial year is about 1,300,000 for an amount of almost 21 billion between income and expenditure, a stable situation compared to 2022.

By 2023, Civibank managed Treasury/Cash services for 38 Public Entities, the most important of which are: Municipality of Prata di Pordenone, Dolomiti Bellunesi Basin Council, Municipality of Martignacco, Municipality of Cividale, Municipality of San Giovanni al Natisone, Municipality of Tavagnacco, Municipality of Premariacco, Municipality of Venzone, Municipality of Pasian di Prato and Carnia Mountain Community.

There is a single entity in paper format.

The number of mandates and reversals at the end of the financial year is about 150,000 for an amount of almost 430 million between income and expenditure.

6.6 Personnel Area

Personnel – Cassa di Risparmio di Bolzano S.p.A.

The 2023 financial year was characterised by the integration activities of CiviBank in the Sparkasse Group, with particular reference to the activities (i) functional to the IT migration of the subsidiary bank to the procedures and processes in use in the Parent Company and (ii) the centralisation of the main head office functions in the Parent Company.

WORK QUALITY AND WELFARE

In general, and consistent with the particular timing of CiviBank's integration into the Group, the initiatives launched in previous years continued for all companies during 2023, and in particular the activities on the theme of Welfare, understood as personal and corporate "well-being", were intensified, which represents a point of increasing attention and will remain of great relevance for the next few years.

In fact, the Group has long been committed to improving the well-being of its employees and increasing the quality of the workplace, also through the management of corporate Welfare institutions, such as health care, supplementary pensions, as well as measures of flexible working hours and initiatives to support working mothers, in the logic of work-life balance, paying particular attention to personnel with minor children, personnel with disabilities or with family situations affected by particularly burdensome forms of assistance.

To this end, the Parent Company uses contractual mechanisms that allow for greater flexibility in working hours, also made possible through the use of part-time work, an arrangement that is particularly used within the Parent Company, also in view of the considerable female presence in the company workforce. Also with the aim of reconciling the work and private life needs of its employees, an agreement was renewed with the trade unions in 2023 for voluntary leave from work, which was extended to CiviBank from 2024.

From 2021 on, flexible working hours that is operational in the Parent Company is also extended to the sales network; an agreement for Smart Working was also signed with the trade unions of Sparkasse in March 2022, subsequently revised for the year 2023 and onwards, which is also expected to be extended to CiviBank during 2024.

Confirming the strong focus on welfare and wellbeing issues, Sparkasse has already obtained the Family and Work Audit certification issued by the Autonomous Province of Bolzano since 2021, which represents recognition of what the company has already implemented in terms of family-oriented personnel policy, and at the same time has committed the company, with a structured three-year plan, to developing further initiatives in a logic of increasing awareness of the importance of the family within the company policy. Implemented in the 2023 financial year are, for example, various courses providing information and training for personnel on parenting, psychological wellbeing and personal care (caregiver) issues and, the establishment of the "Banca del Tempo" [Time Bank], which provides for the creation of an annual pool of paid leave hours for workers who, in order to cope with serious and verified personal and/or family situations, need additional paid leave. Through the joint response of company and employees, solidarity becomes concrete.

In addition, with a view to also promoting the physical wellbeing of its workers, the Parent Company has opened a company gymnasium at the Bolzano headquarters, managed by the Circolo Ricreativo, at the end of 2023, activating, in addition to the fitness room, a rich programme of courses and sports activities.

Also for the year 2023, an agreement was signed with the trade unions on the Variable Performance Bonus, which also applies to CiviBank for the first time and which will allow employees to take advantage of the tax benefits and the awarding of bonus to Welfare.

The bank is maintaining ISO 45001 Certification, for the adoption of its Occupational Health and Safety Management System in every operating site of the Bank, including the entire network of over 100 branches. This certification highlighted the organisation and quality of the training and refresher courses provided by the Personnel Training Unit in collaboration with the OSH Manager.

TRAINING AND PROFESSIONAL QUALIFICATIONS

The training courses provided by the Bank in 2023 were developed in response to the social responsibility objectives (CSR) that the Group has set itself and in line with the regulatory, commercial and strategic needs, providing for the support of the competent functions (specialist and business), as well as and control functions, where necessary. The 2023 training offer, made available by the Bank and used by all staff of the Group, covered several thematic areas, which were dealt with through online courses, classroom courses, blended courses, individual coaching, team building and highly specialised external courses offered to all employees.
At the beginning of the year, a training program was organised to specifically strengthen transparency skills for the sales network operators. All network employees were therefore involved in the training programme consisting of five online courses addressing aspects of transparency regulations: information needed to ensure that the sales network can comply with the correct requirements and contribute to the control of legal and reputational risks for the Group. Subsequent training sessions were conducted in presence with a specific focus on the control of legal and reputational risks and on activities related to the proper marketing of banking and financial products and services.
Money laundering is constantly evolving, as are the regulations to combat it. For this reason, the Bank of Italy provides continuous and ongoing training for its staff with the aim of ensuring that they are constantly updated and thus increase the active fight against all forms of money laundering. In cooperation with the Anti-Money Laundering Unit, the online training programme "Antiriciclaggio: ricarica la tua conoscenza" [Anti-Money Laundering: Recharge Your Knowledge] was launched, providing an in-depth look at customer due diligence, the reporting of suspicious transactions and limits on the use of cash and other valuables, constantly evolving areas to which it was appropriate to draw the attention of operators.
At the beginning of the year, the Group-wide Antitrust Compliance Programme was introduced, the aim of which is to guarantee free competition and to ensure that all Sparkasse Group employees comply with the rules of conduct aimed at ensuring antitrust compliance defined at European and national level. To promote the dissemination of the defined guidelines of the regulation, in cooperation with the NPL Service, the online course "Antitrust - La normativa Sparkasse" [Antitrust - The Sparkasse regulation] was set up and provided to the whole Cassa di Risparmio Group. In April, an in-person classroom was held on the subject for Department Managers.
Thanks to the mapping of technical skills by professional profile and post-assessment reskilling projects carried out at the beginning of 2023 with the collaboration of the company Prometeia for the assessment of staff knowledge and skill requirements, online and classroom courses were scheduled in the MiFID II, IVASS and EFA areas, dedicated to topics such as negotiation, management of diversified portfolios, behavioural finance management, correct requirements analysis, correct claims management, generational transition and the development of specialised skills in financial consultancy.
The course "Asset Allocation – Rendimento, rischio e indicatori"' [Asset Allocation - Yield, Risk and Indicators] was then held by in-house trainers and offered to a relevant target group of network advisors, in order to provide them with the necessary skills to manage the difference between Strategic and Tactical Portfolios and to understand the main Risk and Yield indicators.
The professionalisation paths linked to the granting of credit continued: several collaborators were certified Basic Credit and Advanced Credit. In addition, a new certification "Credito Immobiliare ai consumatori" [Consumer Credit] was introduced, which provides the employee with all the necessary skills to offer credit counselling.
In 2023, too, the focus was on ESG: numerous online courses were provided to make people understand how financial markets and the strategies of credit institutions are changing in order to incorporate the changes introduced by national and European regulations. A training course was organised with the Centre of Competence in Sustainability of Libera Università di Bolzano on the topic of "Sustainability Reporting and Sustainable Investment" in order to provide participants with an overview of the innovations introduced at European level with respect to the reporting required of companies to be compliant with the new CSRD directives.

In the "Social" area, initiatives also included in the three-year Audit Family & Work certification project continued, such as training courses on "Time Management", "Stress Management" and "Care-giving".
Investments in training projects and initiatives on the theme of "Diversity, Equality & Inclusion" continued, in particular in collaboration with the Valore D company, in order to encourage the adoption of actions and measures for promoting respect and integration between people and develop a functional cultural approach to an inclusive work environment. Workshops for managers were held under the title "DE&I per Responsabili" ["DE&I for Managers"] and the online course "La parità di genere in Sparkasse" [Gender Equality in Sparkasse] was offered, which not only set out the guidelines defined by the UN 2030 Agenda on the topic, but also focused on all the active policies initiated by the Group.
In general, the training courses organised by the Sparkasse Group continued throughout the year, in compliance with regulatory, tax and legal obligations, with the launch of new procedures and new products/services, in addition to the training for New Hires and Interns provided on an ongoing basis.

SCHOOL AND UNIVERSITY

In order to make the Group attractive and to introduce the Bank to young people, allowing them to enrich their school and academic career through work experience, also in 2023, the Bank has continued to collaborate with schools and universities. In particular, the Parent Company has effectively resumed hosting summer trainees in its branches and to organise school-to-work alternation courses, in addition to continuing with the internship projects at Headquarters, which were widely used, particularly curricular and extracurricular ones. In fact, over 80 internship projects were launched in 2023.
In this respect, the intense collaboration with Libera Università di Bolzano continued, with the aim of pooling training initiatives and sharing professional growth of recent graduates with potential, including through support for degree courses and academic initiatives of various kinds. In particular, since 2018, i.e. the first year of its introduction, Sparkasse has been an official partner of the Master's Degree course in Accounting & Finance, offering a degree prize in cash every year to be awarded to the most deserving thesis and several scholarships in favour of the best students, who thus had the opportunity to attend the second year of the course at Baruch College in New York with which the Libera Università di Bolzano has an agreement for the Italy-USA double degree. Since 2022, following the agreements made by the Libera Università di Bolzano and the re-confirmation of the partnership, the Bank can guarantee a scholarship for each academic year at the New York University Stern School of Business, considered one of the most renowned Business Schools in the world.

Group workforce at 31.12.2023

At 31 December 2023, the number of employees on permanent/fixed-term/internship contracts was 1,912, of which 951 were women and 961 were men (the Group's numbers include all employees, and also include those in Munich and Sparkasse Haus (not included in the ABI collective agreement) totalling 7 in 2023).
A total of 979 employees, compared to 963 at the end of 2022, of which 222 with part-time contracts (slightly decreased compared with the previous year), are active in the province of Bolzano. A further 431 employees, of which 69 part-time are active in the Province of Trento, in Veneto, Lombardy and Emilia Romagna. A further 498 employees are active in Friuli-Venezia Giulia, where CiviBank has its headquarters and historical area, of which 44 with part-time contracts. Another 4 employees, of which 1 with a part-time contract, are active abroad, at the Munich office. The number of actual employees, in service with permanent/fixed-term/internship contracts (excluding staff on leave), calculated with the "Full-time equivalent" method, i.e. by calculating part-time employees and interns in proportion to the hours of actual presence, is as follows:

	FULL-TIME EQUIVALENT EMPLOYEES			
	Permanent	Fixed-term	Internship	
Cassa di Risparmio di Bolzano S.p.A. (including Munich Branch)*	1,119.09	31.00	56.00	
Sparim S.p.A.	12.47	0.00	0.00	
Sparkasse Haus	3.00	0.00	0.00	
Banca di Cividale S.p.A – Società benefit	532	2	21	
Total	1,666.56	33.00	77.00	

* At the end of 2023, 4 employees (3.5 calculated using the "Full-time equivalent" method) work at the Munich unit operating abroad, fully registered abroad.

Starting from the 2023 financial year, in particular due to the centralisation of the functions of the CiviBank headquarters in the Parent Company, in addition to the employees, 130 collaborators (128.12 FTE) are seconded from CiviBank to Sparkasse.

The Parent Company hired 39 permanent staff, 45 on fixed-term contracts and 39 trainee contracts signed during the year; there were 95 terminations from service (also include the effect of the Solidarity Fund, opened at the end of 2022 to ease the exit of employees nearing retirement age, whose first exit window materialised in October 2023).

6.7 Research and development

The Parent Bank continues its plan to develop and innovate channels and services to customers, based on the needs expressed by customers and stakeholders, and in line with the main market trends, all from a multi-bank perspective. The main areas under development are: Digital Innovation (with an expansion of services offered in the area of Mobile and Internet Banking, as well as those related to Digital Onboarding), Open Banking (with integration of the banking offer through more extensive innovative services), Process Efficiency (starting with credit management, continuing with collection and payment management processes, banking product management, etc.) and CRM - Customer Relationship Management.

6.8 Real estate and lease sector

The subsidiary Sparim S.p.A. holds the largest portion of the Group's property assets, specifically the operating properties used by the Parent Bank in carrying out its institutional activities. Sparim also holds a portfolio of non-operating properties managed, for the most part, according to a "core" strategy, and a portfolio of properties acquired as part of the Parent Bank's credit recovery activities, actively participating in the assignment processes (auctions) of property collateral. On the other hand, CiviBank holds the portfolio of operating property and that relating to the recovery of impaired loans in a direct manner, also with reference to lease activities.
Ultimately, Sparim is entrusted with support activities for the Parent Bank, in addition to supporting the Parent Bank in terms of management of the property component used in banking activities (Facility Management, Property Management etc.). The Company is responsible for enhancing the value of the property portfolio held for investment purposes and supporting the Parent Bank in credit recovery activities.

That said, in 2023 Sparim recorded a positive result of Euro 13.3 million (Euro 10.3 million in 2022). It should be noted that within the scope of the consolidated financial statements, intra-group components were eliminated and therefore, to this end, part of the Group's real estate revenues and costs commented on in this paragraph are not reflected in the Group's financial statements.

Sparim's "Total revenues" amounted to Euro 38.4 million (Euro 29.7 million in 2022) and consisted of: rental income of Euro 12.2 million (Euro 11.2 million in 2022), other revenues and income of Euro 1.4 million (Euro 1.3 million in 2022), revenues from the sale of goods of Euro 22.6 million (Euro 16.8 million in 2022). In 2023, there was a "Non-existence of the provision for risks and charges" for Euro 2.1 million; component not valued in 2022.

Sparim's "Operating costs" amounted to Euro 24.0 million (Euro 22.8 million in 2022); the slight increase compared to the previous year is mainly to be attributed to higher costs related to the item, "Change in inventories of goods".

The fair value measurement of owned real estate assets, carried out by an independent external appraiser, showed an overall positive result of Euro 6.9 million (positive for Euro 8.7 million in 2022), while the "Net income of financial assets and liabilities measured at fair value" is negative Euro 3.0 million (negative Euro 1.0 million in 2022).

The balance of the item “Income taxes for the year” amounted to Euro 5.4 million (Euro 4.3 million in 2022).

In light of the above and the effects of taxation on the income for the year, in 2023 Sparim recorded a net profit of Euro 13.3 million (Euro 10.3 million in 2022).

7 Equity investments and interests

7.1 Main functional minority interests

Autosystem S.p.A.

Autosystem S.p.A. is a company that deals in short-, medium- and long-term vehicle rental, operating mainly in North-East Italy and Lombardy with almost forty years of experience in the field. The figures at 31 December 2023 show total assets of Euro 89.2 million and a net profit for the year of Euro 2.7 million.
The equity investment in the company's share capital was acquired by Cassa di Risparmio di Bolzano in 2021. As a result, three executives of Cassa di Risparmio joined the company's Board of Directors, one of whom holds the position of Vice-Chairman. They will remain in office until the approval of the financial statements as at 31 December 2023.

Help Line S.p.A.

Help Line S.p.A. is the Contact Centre of the NEXI Group and was established in 2010, as part of the broader integration project between the companies belonging to the NEXI Group, from the merger of the companies Help Phone S.r.l., Si Call S.p.A. and the subsequent incorporation of the Help Desk branch of CartaSi S.p.A. Helpline manages, for all the companies of the Nexi Group and for other companies in the market, pre- and post-sales assistance and information services, customer care services and management of promotional initiatives. It is also specialised in outbound campaigns, from surveys to the promotion and launch of new services, from the management of appointments to promotional actions. The shareholders of the company are NEXI with a 70.32% interest and Banca di Cividale with a 29.68% interest.

ACIRENT S.p.A.

The company, which is part of the Automobile Club di Udine (ACU) group, operates specifically in the short- and long-term car rental sector. The company represents the Hertz brand in Friuli Venezia Giulia and in part of eastern Veneto: the stations in Udine, Trieste, Pordenone, Feltre and at the Airport of Ronchi dei Legionari are managed under franchise, while Treviso Airport is managed as an agency. The company, which has developed twenty years of experience in the management of car fleets for rental without a driver, also operates in the long-term rental sector for companies and individuals, in synergy with the activities of the ACU Group, whose technical and organisational support it avails itself of for the management of leased car fleets (mechanical workshop, roadside assistance, logistics support, etc.). The shareholders of the company are Autoservice Srl with a 70.0% interest and Banca di Cividale with a 30.0% interest.

CiviESCO SRL

CiviESCo is an Energy Service Company (in liquidation) that was operating in the field of energy efficiency in North-East Italy. Civibank holds a 20% stake in the company after its sale to Idealservice società cooperativa in 2022.

8 Other significant information

8.1 Business plan

With regard to the Business Plan, during 2023, considering the current and prospective macroeconomic framework and the consequent monetary policies of the ECB, it was decided to wait for a normalisation of the context towards the end of the year in order to proceed with the preparation of the new Group Business Plan 2024 - 2026, the approval of which is expected in April 2024.

8.2 ECB rate increase

The Governing Council of the ECB decided at its meeting on 27 July 2023 to raise the three key ECB interest rates by 25 basis points. Therefore, the interest rates on the main refinancing operations, on the marginal refinancing operations and on the deposits with the central bank will be raised to 4.25%, 4.50% and 3.75% respectively, with effect from 2 August 2023.

Again, the Governing Council of the ECB at its meeting of 14 September 2023 raised the three reference rates by a further 25 bps, bringing them to 4.50%, 4.75% and 4.00% respectively, with effect from 20 September 2023.

The increase in interest rates has also had a negative impact on the remuneration of TLTRO III financing transactions, of which the banking system, including Sparkasse, have made extensive use.

8.3 Tax on the bank's extra-profits

Article 26 (entitled "Extraordinary tax calculated on the increase in net interest income") of Italian Decree Law no. 104 of 10 August 2023, published in Official Gazette no. 186 of 10 August 2023 (converted, with amendments, by Law no. 136 of 9 October 2023), on "Urgent provisions for the protection of users, regarding economic and financial activities and strategic investments", introduced an extraordinary tax calculated on the increase in net interest income.

This tax is based on a rate of 40% on the difference between the interest margin included in item 30 of the Income Statement prepared according to the formats approved by the Bank of Italy:

- relating to the financial year prior to the one in progress as at 1 January 2024 (year 2023, for "solar" entities); and
- which exceeds the same margin by at least 10% in the year prior to the one in progress as at 1 January 2022 (year 2021, for "solar" entities).

The amount of the extraordinary tax may not in any case exceed 0.26% of the total amount of the risk exposure on an individual basis, with reference to the closing date of the financial year prior to the one in progress as at 1 January 2023. The extraordinary tax must be paid within the sixth month following the end of the year prior to the one in progress as at 1 January 2024.

From a subjective point of view, the circ. Revenue Agency no. 4/2024 specifies that the tax is due by the banks registered in the Register pursuant to Article 13 of Italian Legislative Decree 385/93.

In place of the payment of the extraordinary tax, it is possible to allocate, at the time of approval of the financial statements for the year prior to the one in progress as at 1 January 2024 (2023 financial statements for "solar" subjects), an amount, equal to 2.5 times the value of the tax, to a non-distributable reserve.

In relation to the establishment of the reserve, the partial payment of the tax is not permitted, with the simultaneous establishment of the reserve corresponding to the portion not paid.

On this point, the Tax Authorities pointed out that the suspension of the obligation to pay the tax ceases if:

- an indirect and de facto allocation of the reserve to the shareholders takes place;
- the reserve is even partially distributed.

The Parent Company Cassa di Risparmio di Bolzano opted for the allocation of a non-distributable profit reserve equal to 2.5 times the value of the potential tax liability, in the amount of Euro 34.3 million. The subsidiary CiviBank also opted for the allocation of a non-distributable profit reserve equal to 2.5 times the value of the potential tax liability, in the amount of Euro 6.5 million.

8.4 Acquisition of Sparkasse Energy Srl by Sparim

On 3 July 2023, the Sparim Group company acquired 100% of the company Albae S.r.l., already renamed Sparkasse Energy S.r.l. The newly acquired company will develop and put into production two solar farms located in the province of Verona and in the province of Mantua. Sparim acquired a total equity investment of Euro 1.8 million in Albae, a company that has already obtained the administrative authorisations for the construction and management of two photovoltaic farms for a total power of about 8 megawatts, amounting to almost double the annual electricity consumption of the Group's business properties, i.e. 3 headquarters and 170 branches. The first plant will be able to enter into operation at the beginning of 2024, while the second by the end of the same year. Subsequently, Sparim subscribed a share capital increase for Euro 2.8 million.

After the acquisition of control by Sparim S.p.A., the land of Gazzo Veronese and Villa Poma was purchased, for production/industrial use, on which the two solar farms will be developed for a total area of about 12 hectares. In agreement with Enel, a major infrastructure work will also be carried out that will improve the electrification of the area in which the company will operate. Through this operation, in addition to achieving the environmental objectives that the Sparkasse Group has set out for itself, the cost of the energy that Sparkasse consumes will be stabilised in the medium to long term, with a positive impact on the Group's income statement.

8.5 Migration of IT outsourcer of the subsidiary Banca di Cividale

On the weekend of 7 to 9 July 2023, the migration of the CiviBank information system from the outsourcer CSE Consorzio Servizi Bancari S.c.a.r.l., to the new partner Cedacri S.p.A., already a provider of IT services to the Parent Company took place. The operation, which was successfully completed, involved most of the structures of Banca di Cividale with the support and assistance of the specialist functions of Cassa di Risparmio di Bolzano. This technological innovation will lead to more efficient operating processes and will make it possible to provide an even better service, with a view to standardising procedures and processes within the new Sparkasse Group.

8.6 Listing of financial instruments issued by the banks on the Vorvel (formerly Hi-MTF) market

Since 27 December 2017, the shares of Cassa di Risparmio di Bolzano have been admitted to trading on the segment "order-driven equity" of the multilateral trading system managed by Vorvel Sim S.p.A. (formerly Hi-MTF Sim S.p.A.). Starting from a price of Euro 9.90 at the end of December 2022, the share showed little movement throughout the year and remained stable closing the year 2023 at the same level. This is the highest level recorded since the beginning of trading on Vorvel. The volume traded in 2023 on the Vorvel platform again recorded an interesting value, quantifiable at around Euro 3.7 million. The cumulative value traded on Vorvel from the beginning of the admission to trading exceeded Euro 24 million.

From 3 January 2018, on the other hand, senior bonds and non-convertible subordinated bonds with a minimum denomination up to and including Euro 100,000 issued by the Bank are admitted to trading on the "order-driven bond" segment of the multilateral trading system managed by Vorvel. During the year 2023, two new senior bonds were added, issued during the first quarter of the year and placed, for the first time, directly

via the Vorvel market. Limited to senior bonds, Banca Akros assumed the role of specialist from 2018 until the end of 2020. As from 1 January 2021, this role has been held by Equita Sim S.p.A.
In November, the subsidiary bank Civibank, as part of the decision relating to the inclusion of its own (listed) share in one of the three segments of the new Vorvel Equity Auction Market, resolved to join "Gate 2" and to continue with the Observation Period in progress as of 28 November 2023 in consideration of the fact that the latter had just started and that therefore the trading volumes might not be suitable to determine, at the end of the period, a new significant "reference price".

8.7 Renewal of the agreement for the performance of liquidity support activities for shares issued by the Bank traded on the "Equity Auction" segment (formerly order driven) of the multilateral trading system managed by Vorvel (formerly Hi-Mtf) S.p.A.

With the entry into force of the new market model for the Vorvel "Equity Auction" segment on 1 January 2024, the contract signed by Cassa di Risparmio di Bolzano and Equita Sim S.p.A., under which the Bank exclusively entrusted Equita with the performance of an activity aimed at supporting the liquidity of the shares issued by the Bank itself traded on the "Equity Auction" segment of the multilateral trading system managed by Vorvel Sim S.p.A., was updated to the new market context by extending its duration to the end of the year 2024.
The agreement, in line with similar market transactions undertaken by comparable issuers, is based on the principles contained in the accepted market practice on liquidity support pursuant to Resolution No. 21318 of 7 April 2020, but does not constitute a liquidity support contract within the meaning of the aforementioned practice.
The liquidity support activity covered by the assignment will take place through the purchase and sale of shares on the Vorvel market by Equita SIM S.p.A., through the use of Bank's resources, in accordance with the prior approval issued by the Bank of Italy on 11 September 2023. The effects deriving from this activity will fall exclusively on Sparkasse, which therefore assumes the related risk. Equita SIM S.p.A. shall operate independently, without instructional constraints by the Bank.

8.8 Authorisation by the Bank of Italy to modify the ceiling reserved for the partial repurchase of instruments eligible for inclusion in the Parent Bank's own funds

Please note that on 11 September 2023, the Bank of Italy authorised the Parent Company to reduce its own funds for the repurchase of CET1 instruments (Bank shares) for an amount of Euro 11.15 million. On the same date, the Bank also obtained authorisation from the Bank of Italy for the early repayment of a nominal amount of Euro 20.4 million of lower tier 2 subordinated bonds.

8.9 EU Directives - Deposit Guarantee Scheme (DGS) and Crisis Resolution Fund (BRRD)

(SRF) BRRD

On 23 May 2023, the Bank of Italy notified the Parent Company of the portion to be paid for 2023, amounting to Euro 4,432 thousand, an amount paid at the end of May. Please note that a similar communication was received by CiviBank, whose amount (moreover already paid) for 2023 amounted to Euro 2.251 million.

DGS

With a communication dated 15 December 2023, the Interbank Deposit Protection Fund (FITD - Fondo Interbancario di Tutela dei Depositi) informed the Bank that the ordinary contribution for 2023 amounts to Euro 7,669 thousand. The debit value date for the amount was 19.12.2023. In turn, the subsidiary Civibank received a communication from the Interbank Fund for an amount of Euro 2,902 thousand, again with a value date of 19 December 2023.

The Interbank Fund Regulation provides that Consortium members annually pay ordinary contributions commensurate to the amount of the protected deposits, as well as to the degree of risk determined on the basis of an internal risk assessment methodology.

The 2023 ordinary contribution was calculated taking into account the amount of protected deposits at 30 September 2023. The amount also includes an additional contribution portion relating to extraordinary interventions carried out during the last period.

8.10 Interest on TLTRO III transactions

In the statement at 31 December 2023, the Parent Bank recognised, for an amount of Euro 71,555 thousand, the accrued premium at that date relating to TLTRO III transactions, in relation to which it has a loans stock in place equal to Euro 2,150 million. Sparkasse took steps to recognise the interest on the basis of the precise feedback received from the Bank of Italy through their messages.
At the end of 2023, the subsidiary CiviBank had TLTRO III transactions in place for a total amount of Euro 524 million. Banca di Cividale proceeded to record a total amount of Euro 27.2 million under interest expense on financial liabilities. At Group level, interest expense for TLTRO III transactions amounted to Euro 98.8 million.

8.11 AIRB Project of the Parent Bank

The Parent Bank participates as a Sponsor Bank in the Cedacri AIRB Pooled Project for the use of the AIRB method for Prudential Supervisory Reporting purposes, i.e. the calculation of credit capital requirements.
Following the submission of the validation request by the Parent Company during 2022 and the inspection on 24.05.2023, the Bank received the Supervisory Authority's recognition of the AIRB internal credit risk measurement system for prudential purposes with Order No. 0926043/23. The authorisation measure will take effect on condition that the "Preliminary remedial measures" are implemented within 18 months.
The activities carried out in 2023 focused mainly on the formulation of the remediation plan. The project governance of the remediation plan was strengthened by defining specific dedicated sites to direct the necessary interventions.

8.12 Bond issue program covered by the Parent Bank

In 2022, the Parent Bank established a Programme for the issue of Covered Bonds (CB) with a maximum issue of Euro 3 billion. This type of bond is backed by a double guarantee to protect bondholders: on the one hand, by the assets of the issuing bank and, on the other hand, in the event of default, by the segregated assets of a special purpose vehicle, legally independent from the issuing bank and dedicated exclusively to the assumption of guarantees in favour of the CB bondholders. In this regard, the Parent Bank has taken on, also in the year 2022, the controlling interest (60% of the share capital) in the company SPK OBG S.r.l., established specifically to acquire in the segregated assets the assets sold by the Bank and which represent the assets on which SPK OBG S.r.l. issues guarantees to holders of CBs issued by the Parent Bank. The remaining 40% of the share capital is held by a "Stichting" under Dutch law.

In the course of the year 2023, the aforementioned Programme was adapted to the new "Covered Bond Directive" and, at the same time, was also extended to the subsidiary CiviBank, presenting itself now as a "multi-creditor/multi-originator" OBG Programme in all respects. As a result of the amendments, CiviBank under the Programme now performs the roles of Originating Bank, Subordinate Lending Bank of the vehicle SPK OBG S.r.l. as well as Servicer of the transferred residential mortgage portfolios. With reference to the last point, it should be noted that in November, CiviBank sold a first portfolio of residential mortgages amounting to approximately Euro 229 million to the vehicle, in addition to the portfolios sold by the Parent Company in June 2022 and in November 2023, amounting to approximately Euro 450 million and Euro 169 million, respectively. The vehicle SPK OBG S.r.l. settled the related considerations by taking out subordinated loans disbursed by both the Parent Company and the Subsidiary to the extent of the portfolios sold.
Following the first bond issue in 2022, in November 2023, the Parent Company issued the second Covered Bond with ISIN code IT0005571028 with the characteristics described below:

- nominal amount Euro 250 million
- duration from 28 November 2023 to 28 November 2027, extendable until 28 November 2028
- fixed rate of 3.0% p.a. for the life of the security
- rating assessment by Fitch Ratings: AA

Like the first issue, the latter was fully subscribed by the Parent Company and used as collateral in medium-term collateralised funding transactions.
For the sake of completeness, it should be noted that since there is no segregation between the portfolios transferred by the two Group Banks to the vehicle SPK OBG S.r.l., the first issue of Covered Bonds made exclusively by the Parent Company is also guaranteed pro rata by the residential mortgages contributed by CiviBank in the year 2023.

8.13 Rating

The Parent Bank and the subsidiary Banca di Cividale do not currently have a public rating from one of the four major international rating agencies.

8.14 Cronos Vita Assicurazioni (formerly Eurovita Assicurazioni)

On 30 June 2023, an agreement was reached for the rescue of the insurance company Eurovita, commissioned by the Supervisory Authority at the beginning of 2023. At the urging of the Ministry of Economy and Finance and the Ministry of Enterprise and Made in Italy, as well as with the cooperation of the Supervisory Committee and the Extraordinary Commissioner of Eurovita, an agreement was reached by 25 banks distributing the policies, the five leading Italian insurance companies and some of the main Italian banks, on an operation at market conditions aimed at protecting Eurovita's policyholders. The Sparkasse Group has joined the agreement, sharing the common spirit of the initiative: to achieve the goal of ensuring full investor protection.
In brief, the agreement provided for - on the one hand - the sale, for a symbolic consideration, of the business division comprising almost all of Eurovita's assets in favour of a "newco" company named Cronos Vita Assicurazioni S.p.A., whose capital is held by the companies Intesa Sanpaolo Vita, Generali Italia, Poste Vita and UnipolSai, each for 22.5% and by Allianz for the remaining 10%, against a specific capital increase, and - on the other hand - the granting of financing facilities to Cronos Vita by the financial institutions distributing Eurovita's policies (assisted, moreover, by a pool of banks for any need for further support) to meet the potential redemptions of Branch I and V policies placed by each institution. The signed agreements also provide for a specific commission framework, in addition to the existing distribution agreements, which the distributing banks will pay to Cronos Vita Assicurazioni S.p.A. for the performance of servicing activities, with the aim of preserving and reactivating relations with customers who have subscribe to the policies.

By IVASS Order No. 0238230 of 17 October 2023, Cronos Vita Assicurazioni S.p.A. was authorised by IVASS to carry out insurance activities and subsequently on 30 October 2023 by IVASS Order No. 0249570, IVASS authorised the transfer to Cronos of the business unit of Eurovita and approved the relevant Transfer Agreement. Following the implementation of the above, as of 1 November, the new company Cronos Vita Assicurazioni S.p.A. became fully operational and, consequently, the blocking of the right of former Eurovita customers to exercise their policy redemption rights ceased. To date, there are ex-Eurovita policies in the portfolios of the Group's customers with a total premium value of about Euro 1.1 billion. As at 31 December 2023, policies for a total of Euro 141.8 million had been redeemed in advance.

8.15 Sale of the acquiring business

At the end of December, the subsidiary CiviBank, together with the Parent Company and Nexi S.p.A., signed an agreement to transfer the merchant acquiring activities to the Nexi Group and to establish a long-term partnership aimed at the exclusive promotion and placement of all merchant acquiring products and services of the Nexi Group through the Sparkasse Group's sales network. The agreement, which values the merchant acquiring activities at Euro 30.8 million, of which Euro 22.8 million for Sparkasse and Euro 8.0 million for Civibank, in addition to a variable consideration based on the achievement of specific objectives, will allow the Sparkasse Group to offer merchants and businesses in the area all the innovative products and services in the collection systems developed by Nexi, a leading Italian player in the digital payments sector and a leading operator in Europe. The closing of the transaction, subject to some preparatory activities and to obtaining the necessary authorisations from the competent authorities, is expected in the first half of 2024.

For the purposes of preparing the Consolidated Financial Statements, meeting the requirements of International Financial Reporting Standard IFRS 5, the assets and liabilities of the e-money business unit, which was transferred, were reclassified under the specific balance sheet item "120. Non-current assets and groups of assets held for sale" and "70. Liabilities associated with assets held for sale". With reference to the income statement, there was no impact, both in terms of valuation, as the sale price is significantly higher than the book value, and in terms of exposure, as the business unit does not involve a discontinued operation as it does not represent a major independent business or geographical area of activity.

8.16 Automatic renewal for the performance of the liquidity support activity of the shares issued by the Parent Bank traded on the "order-driven equity" segment of the multilateral trading system managed by Vorvel SIM S.p.A.

With the entry into force of the new market model for the Vorvel "Equity Auction" segment on 1 January 2024, the contract signed by Parent Company and Equita Sim S.p.A., under which Sparkasse exclusively entrusted Equita with the performance of an activity aimed at supporting the liquidity of the shares issued by the Bank itself traded on the "Equity Auction" segment of the multilateral trading system managed by Vorvel Sim S.p.A., was updated to the new market context by extending its duration to the end of the year 2024.

The contract, in line with similar market transactions undertaken by comparable issuers, is based on the principles contained in the accepted market practice on liquidity support pursuant to Resolution No. 21318 of 7 April 2020, but does not constitute a liquidity support contract within the meaning of the aforementioned practice.

The liquidity support activity covered by the assignment will take place through the purchase and sale of shares on the Vorvel market by Equita SIM S.p.A., through the use of the Parent Company resources, in accordance with the prior approval issued by the Bank of Italy on 11 September 2023. The effects deriving from this activity will fall exclusively on the Parent Company which therefore assumes the related risk. Equita SIM S.p.A. operates independently, without instructional constraints by the Parent Bank.

9 Subsequent events after the end of the year

From the end of the 2023 financial year to the date of presentation of this report, no other significant events occurred such as to significantly affect the Group's equity, financial and economic situation or its representation.

9.1 Notice regarding the start of SREP proceedings for the Sparkasse Group

On 8 February 2024, Cassa di Risparmio di Bolzano received a communication from the Supervisory Authority, with which it was informed of the start of new proceedings with reference to the prudential review and assessment process (Srep).

9.2 Communication of High Impact LSI qualification

Please note that on 22 January 2024 Cassa di Risparmio di Bolzano received a communication from the Bank of Italy that it had been included in the list of High Impact LSIs for 2024, approved by the Supervisory Board of the ECB, based on the data at the highest level of consolidation and the criteria of size, business model and level of interconnection of the intermediary with the rest of the financial system

9.3 Classification of Banca di Cividale S.p.A. as a bank of smaller size or operational complexity

On 27/02/2024 the Board of Directors, (i) taking into account the provisions of Circular 285/2013, Part One, Title IV, Chapter 1, Section I, paragraph 4.1 "Principle of Proportionality", as part of the approval of the Corporate Governance Project, (ii) assessing that until 17/01/2023 the Bank was classified as a "bank of lesser size or operational complexity" (iii) noting that from the Parent Company's discussions with the Supervisory Authority, from which it emerged that the criterion of volume linked to the Bank's assets, pursuant to the Supervisory Provisions is not sufficiently significant for the bank to be classified as an "intermediate bank", as other criteria are also relevant, such as (a) the type of business conducted, (b) the ownership structure of the intermediary, (c) being part of a banking group, and (d) belonging to an operating network, the Board of Directors resolved to classify the bank as a "bank of lesser size or operational complexity", updating the Corporate Governance Project Document accordingly.

10 Business outlook

2023 saw the flare-up of the Israeli-Palestine conflict, which brings with it, in addition to serious humanitarian problems, the risk of further escalation on a regional scale. The Red Sea, with the presence of the Suez Canal, is in fact a crucial hub for trade with 10% of world maritime traffic passing through there.
Furthermore, the situation of the Russian-Ukrainian front should not be ignored, where peace still seems distant and the ongoing conflict continues to cause problems with the supply of energy resources.
Therefore, 2024 promises to be a year characterised by instability and unknowns. Due to the current geopolitical situation, which is still affected by the recent energy crisis and the pandemic, a period of uncertainty is emerging due to various factors. The effect of this uncertainty will be reflected in a cautious approach by households and businesses to investment and consumption. This suggests a risk of recession in the first half of the year, especially in Europe, with real GDP growth in Italy of only + 0.4% in 2024. The rise in rates and the volatility of prices, together with the reduction of investments and consumption will expose Italy, whose economy is mainly focused on transformation, to uncertainties due to international instability.

Having said this, it should also be adequately underlined that 2023 was, for the banking system in general an extremely positive year as regards the financial results achieved, thanks to the positive trend in revenues with respect to only moderately increased costs.
The 2023 results benefited from a number of positive factors including, first and foremost, the widening of the rate spread following the exponential growth in market rates, which will probably see an initial reversal as early as mid-2024.
On the funding side, the banking system will face direct customer funding volumes expected to fall in 2024, reflecting the dynamics of current accounts that continue to decline as a result of customer preference trends towards alternative and more remunerative investment solutions alternative to banking channels, and a growth in term deposits that will not be sufficient to offset the outflow of demand items. In addition, the issue of the replacement of funding sources will also arise in 2024 with reference to the maturities of the last tranches of the TLTRO III drawdowns.
The economic slowdown expected in 2024 and the increase in household and corporate debt charges in 2023, which is expected to remain high at least through the first part of this year, drive the increase in credit quality riskiness.
In spite of an unstable framework and with prospects of reduced revenues, the Sparkasse Group is confident that it will be able to continue on its growth path, thanks to the relationship of trust that the banks of the group have managed to consolidate over the last few years, as well as thanks to the careful and punctual derisking policy carried out by the Parent Company in recent years.

In this regard, it is important to underline that by the first half of 2024, Cassa di Risparmio will approve the new Group Business Plan for the three-year period 2024 - 2026. With the new plan, the Sparkasse Group will set itself the objective, in its new geographical configuration, of positioning itself as one of the most solid banks in Italy, with a marked sensitivity to issues of sustainability and innovation at the service of families and businesses in the territories in which it operates, wanting to pursue an ability to generate satisfactory profitability. The planned path intends to further enhance what has already been achieved with the previous Strategic Plan, whose objectives were largely met and exceeded.

11 Non-financial Statement

It should be noted that the Group has decided to prepare the non-financial statement in a separate Report that will be posted on the website of the Parent Bank www.sparkasse.it, within the terms provided by the regulations.

Statement of reconciliation of consolidated shareholders' equity

Statement of the consolidated shareholders' equity

Statement of reconciliation between:

- the shareholders' equity and profit for the year of the Parent Bank and
- the consolidated shareholders' equity and profit for the year.

(figures in thousands of Euro)

	Shareholders' equity	Profit for the year
Shareholders' equity and profit for the year of the Parent Bank	896,770	54,970
Difference between carrying amount and pro-rata value:		
- of the carrying amount of equity investments	162,822	(4,284)
- of companies consolidated at equity	1,217	0
Gains from disposal of equity investments	0	0
Change in consolidated deferred taxes	398	0
Pro-rata result achieved by the subsidiaries	32,026	32,026
Pro-rata result achieved by the companies consolidated at equity	663	663
Elimination of the effects of transactions between Group companies:		
- Dividends of the subsidiaries collected during the year	0	0
- Dividends of companies subject to significant influence, collected during the year	0	0
- Reversal of value adjustments to consolidated equity investments	(43)	753
- Effect of the application of IFRS 16 to Group companies	702	(41)
- Consolidation adjustments	(103)	(71)
Adjustment to Group accounting standards:		
- Measurement at cost and revaluation model of the capital properties (in the subsidiary at FV)	(2,385)	(5,846)
Consolidated shareholders' equity and profit for the year	1,092,065	78,169
Shareholders' equity and profit/(loss) of minority interests	65,952	(4,044)

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

	Asset items	31/12/2023	31/12/2022
10.	Cash and cash equivalents	961,392	1,167,597
20.	Financial assets measured at fair value through profit or loss	192,484	182,852
	a) financial assets held for trading	48,612	45,742
	b) financial assets designated at fair value	-	-
	c) other financial assets mandatorily measured at fair value	143,872	137,110
30.	Financial assets measured at fair value through other comprehensive income	316,410	369,924
40.	Financial assets measured at amortised cost	14,474,512	14,733,464
	a) loans to banks	300,861	238,514
	b) loans to customers	14,173,651	14,489,537
50.	Hedging derivatives	37,825	60,530
60.	Value adjustment of financial assets subject to macro-hedging (+/-)	(14,909)	(59,355)
70.	Equity investments	10,167	9,506
80.	Insurance assets	-	-
	a) insurance contracts issued that constitute assets	-	-
	b) reinsurance transfers that constitute assets	-	-
90.	Property, plant and equipment	414,606	380,777
100.	Intangible assets	30,057	25,318
	of which:		
	- goodwill	214	-
110.	Tax assets	176,034	179,672
	a) current	45,166	4,204
	b) deferred	130,868	175,468
120.	Non-current assets and groups of assets held for sale	1,087	1,016
130.	Other assets	592,164	390,158
	Total Assets	**17,191,829**	**17,441,457**

continued: CONSOLIDATED BALANCE SHEET

	Liabilities and shareholders' equity items	31/12/2023	31/12/2022
10.	Financial liabilities measured at amortised cost	15,511,428	15,871,335
	a) due to banks	3,309,407	3,598,520
	b) due to customers	11,773,212	12,149,187
	c) securities issued	428,809	123,628
20.	Financial liabilities held for trading	431	933
30.	Financial liabilities designated at fair value	-	-
40.	Hedging derivatives	24,566	-
50.	Value adjustment of financial liabilities subject to macro-hedging (+/-)	-	-
60.	Tax liabilities	19,080	10,613
	a) current	6,280	3,761
	b) deferred	12,800	6,852
70.	Liabilities associated with assets held for sale	503	1,474
80.	Other liabilities	380,262	372,214
90.	Employee severance indemnity	2,474	3,339
100.	Provisions for risks and charges	95,068	101,866
	a) commitments and guarantees issued	20,220	15,245
	b) pension and similar obligations	39,552	42,256
	c) other provisions for risks and charges	35,297	44,366
110.	Insurance liabilities	-	-
	a) insurance contracts issued that constitute liabilities	-	-
	b) reinsurance transfers that constitute liabilities	-	-
120.	Valuation reserves	21,457	4,582
121	of which relating to discontinued operations	-	-
130.	Redeemable shares	-	-
140.	Equity instruments	45,200	45,228
150.	Reserves	337,821	182,336
155	of which interim dividends	-	-
160.	Share premiums	151,259	151,252
170.	Share capital	469,331	469,331
180.	Treasury shares (-)	(11,172)	(9,586)
190.	Equity attributable to minority interests (+/-)	65,952	61,156
200.	Profit (loss) for the year (+/-)	78,169	175,384
	Total liabilities and shareholders' equity	17,191,829	17,441,457

CONSOLIDATED INCOME STATEMENT

	Items	31/12/2023	31/12/2022
10.	Interest income and similar revenues	558,530	293,971
	of which: interest income calculated using the effective interest method	435,467	263,124
20.	Interest expense and similar charges	(257,030)	(27,571)
30.	Net interest income	301,500	266,400
40.	Fee and commission income	144,709	123,012
50.	Fee and commission expense	(13,460)	(8,146)
60.	Net fee and commission income	131,249	114,866
70.	Dividends and similar income	2,303	3,153
80.	Net profit (loss) from trading	1,568	4,898
90.	Net profit (loss) from hedging	(2,875)	1,510
100.	Gains (losses) on disposal or repurchase of:	(2,354)	(305)
	a) financial assets measured at amortised cost	(2,355)	1,791
	b) financial assets measured at fair value through other comprehensive income	2	(2,110)
	c) financial liabilities	(1)	14
110.	Net income from other financial assets and liabilities measured at fair value through profit or loss	74	(6,181)
	a) financial assets and liabilities designated at fair value	0	198
	b) other financial assets mandatorily measured at fair value	74	(6,379)
120.	Net interest and other banking income	431,465	384,342
130.	Net value adjustments/write-backs for credit risk relating to:	(43,619)	(43,126)
	a) financial assets measured at amortised cost	(43,642)	(42,892)
	b) financial assets measured at fair value through other comprehensive income	23	(234)
140.	Gains/losses from contractual amendments without cancellations	921	35
150.	Net income from financial management	388,767	341,251
160.	Net premiums	-	-
170.	Balance of other income/expenses from insurance operations	-	-
180.	Net income from financial and insurance management	388,767	341,251
190.	Administrative expenses:	(263,011)	(239,158)
	a) personnel expenses	(146,483)	(143,500)
	b) other administrative expenses	(116,528)	(95,658)
200.	Net allocations to provisions for risks and charges	(6,587)	(8,895)
	a) commitments and guarantees issued	(4,975)	(3,412)
	b) other net allocations	(1,612)	(5,483)
210.	Net value adjustments/write-backs to property, plant and equipment	(18,336)	(16,339)
220.	Net value adjustments/write-backs to intangible assets	(6,926)	(5,126)
230.	Other operating income/expenses	20,458	121,200
240.	Operating costs	(274,402)	(148,317)
250.	Gains (losses) on equity investments	663	833
260.	Net result from fair value measurement of property, plant and equipment and intangible assets	5,844	4,728
270.	Value adjustments to goodwill	-	-
280.	Gains (losses) from disposal of investments	360	2,761
290.	Profit (loss) from current operations before tax	121,232	201,256
300.	Income taxes for the year on current operations	(38,844)	(27,783)
310.	Profit (loss) from current operations after tax	82,388	173,473
320.	Profit (loss) from discontinued operations after tax	(175)	(1,332)
330.	Profit (loss) for the year	82,213	172,141
340.	Profit (loss) for the year attributable to minority interests	(4,044)	3,242
350.	Profit (loss) for the year attributable to the Parent Bank	78,169	175,384

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Items	31/12/2023	31/12/2022
10.	Profit (loss) for the year	82,213	172,141
	Other income components net of taxes without reversal to the income statement	11,721	2,565
20.	Equity securities designated at fair value through other comprehensive income	(6,580)	5,295
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	16,983	-
60.	Intangible assets	-	-
70.	Defined benefit plans	1,318	(2,731)
80.	Non-current assets and groups of assets held for sale	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
100.	Revenues or costs of a financial nature relating to insurance contracts issued	-	-
	Other income components net of taxes with reversal to the income statement	5,892	(3,635)
110.	Foreign investment hedges	-	-
120.	Exchange rate differences	-	-
130.	Cash flow hedges	-	-
140.	Hedging instruments (non-designated elements)	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	5,892	(3,635)
160.	Non-current assets and groups of assets held for sale	-	-
170.	Portion of valuation reserves of equity-accounted investments	-	-
180.	Revenues or costs of a financial nature to insurance contracts issued	-	-
190.	Revenues or costs of a financial nature relating to transfers under reinsurance	-	-
200.	Total other income components net of taxes	17,614	(1,070)
210.	Comprehensive income (Item 10+200)	99,826	171,071
220.	Consolidated comprehensive income attributable to minority interests	(4,784)	(3,210)
230.	Consolidated comprehensive income attributable to the Parent Bank	95,042	174,281

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.12.2023

	Balance as at 31.12.2022	Change in opening balances	Balance at 01.01.2023	Allocation of previous year result		Changes in the year									Group Shareholders' Equity at	Shareholders' Equity of Minority Interests at
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury share derivatives	Stock options	Changes in Equity Investments	Comprehensive income for the year at 31.12.2023	31/12/2023	31/12/2023
Share capital																
a) ordinary shares	485,931		485,931										10		469,331	16,611
b) other shares																
Share premiums	190,660		190,660			(7,067)	8						2		151,259	32,344
Reserves	190,678		190,678	151,155		13,126			(4,970)						337,821	12,168
a) profit	192,056		192,056	151,155		13,126			(4,970)						339,199	12,168
b) other	(1,378)		(1,378)												(1,378)	
Valuation reserves	4,629		4,629											17,614	21,457	785
Equity instruments	45,228		45,228							(28)					45,200	
Treasury shares	(9,586)		(9,586)					(1,585)							(11,172)	
Profit (loss) for the year	172,141		172,141	(151,155)	(20,986)									82,212	78,169	4,044
Group shareholders' equity	1,018,525		1,018,525		(20,986)	6,059	8	(1,585)	(4,970)	(28)				95,042	1,092,065	
Shareholders' equity of minority interests	61,156		61,156										12	4,784		65,952

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31.12.2022

	Balances at 31.12.2021	Change in opening balances	Balance at 01.01.2022	Allocation of previous year result		Changes in the year									Group Shareholders' Equity at	Shareholders' Equity of Minority Interests at
							Transactions on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Treasury share derivatives	Stock options	Changes in Equity Investments	Comprehensive income for the year at 31.12.2022	31.12.2022	31.12.2022
Share capital																
a) ordinary shares	469,340		469,340										16,591		469,330	16,601
b) other shares																
Share premiums	151,259		151,259				(6)						39,407		151,252	39,409
Reserves	131,978		131,978	52,575		(1,035)							3,917		182,336	5,100
a) profit	133,356		133,356	52,575		(1,035)							3,917		183,714	5,100
b) other	(1,378)		(1,378)												(1,378)	
Valuation reserves	6,449		6,449			(796)							47	(1,070)	4,582	47
Equity instruments	45,228		45,228												45,228	
Treasury shares	(7,326)		(7,326)					(1,981)					(279)		(9,586)	
Profit (loss) for the year	72,609		72,609	(52,575)	(20,033)									172,141	175,384	(3,242)
Group shareholders' equity	869,524		869,524		(20,033)	(1,831)	(6)	(1,981)					(1,429)	174,281	**1,018,525**	
Shareholders' equity of minority interests	12		12										64,354	(3,210)		**61,156**

CASSA DI RISPARMIO DI BOLZANO GROUP 31.12.2023

Statement of reconciliation between the profit for the period and the profit that contributes to the calculation of Common Equity Tier 1

amounts in Euro

Profit for Own funds purposes

Cassa di Risparmio	Sparim	Raetia	Banca di Cividale (including PPA reversal)	SPK OBG Srl	intra-group consolidated derecognitions and adjustments	Cr Bz profit allocated to dividends	CiviBank profit allocated to dividends (minorities)	**Profit for Own funds purposes**
54,970,154	13,275,220	(282,441)	19,347,616	0	(9,972,077)	(21,000,000)	(868,800)	**55,469,672**

Consolidated profit for the year

Cassa di Risparmio	Sparim	Raetia	Banca di Cividale (including PPA reversal)	Sparkasse Haus	Fanes + Civitas + Dolomit	Sparkasse Energy	SPK OBG Srl	intra-group consolidated derecognitions and adjustments	**Consolidated profit for the year**
54,970,154	13,275,220	(282,441)	19,347,616	(273,534)	0	(41,255)	0	(8,827,044)	**78,168,716**

Reconciliation between profit for the year and profit for Own funds

Consolidated profit for the year	Sparkasse Haus reversal	Fanes + Civitas + Dolomit reversal	Sparkasse Energy reversal	reversal of intra-group consolidated derecognitions and adjustments	Cr Bz profit allocated to dividends	CiviBank profit allocated to dividends (minorities)	**Profit for Own funds purposes**
78,168,716	273,534	0	41,255	(1,145,033)	(21,000,000)	(868,800)	**55,469,672**

Details of consolidated intra-group derecognitions and adjustments	
270,837	Reversal of income components of Raetia SGR SpA
0	Reversal of the dividend of Sparim SpA
-5,887,972	Reversal of IFRS 16 and property effect (delta amortisation+gains on disposal)
482,505	Sparkasse Haus reversal of write-down
662,528	Profit portion of companies consolidated using the equity method
-4,283,828	Profit (loss) for the year attributable to minority interests
-71,114	Consolidation adjustments
-8,827,044	**Total intra-group consolidated derecognitions and adjustments**

CONSOLIDATED CASH FLOW STATEMENT (Indirect method)

A. OPERATING ACTIVITIES	Amount	
	31/12/2023	31/12/2022
1. Management	176,206	223,327
- profit (loss) for the year (+/-)	78,169	175,384
- capital gains/losses on financial assets held for trading and on other assets/liabilities measured at fair value through profit or loss (-/+)	(2,537)	7,694
- capital gains/losses on hedging activities (-/+)	3,000	(1,510)
- net value adjustments/write-backs for credit risk (+/-)	41,323	63,048
- net value adjustments/write-backs to property, plant and equipment and intangible assets (+/-)	24,931	23,727
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	9,078	7,303
- net revenues collected and costs paid for insurance contracts issued and reinsurance transfers (- / +)	-	-
- unpaid taxes, duties and tax credits (+/-)	(27,295)	(28,274)
- net value adjustments/write-backs to discontinued operations net of the tax effect (-/+)	175	1,332
- other adjustments (+/-)	49,362	(25,377)
2. Cash flow generated from/used in financial assets	7,138	(5,083,662)
- financial assets held for trading	542	6,597
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	(8,037)	100,184
- financial assets measured at fair value through other comprehensive income	60,392	8,966
- financial assets measured at amortised cost	174,348	(4,914,341)
- other assets	(220,108)	(285,027)
3. Cash flow generated from/used in financial liabilities	(333,471)	5,951,964
- financial liabilities measured at amortised cost	(418,128)	5,785,769
- financial liabilities held for trading	(502)	425
- financial liabilities designated at fair value	3,875	(19,682)
- other liabilities	81,284	185,452
4. Liquidity generated from/used in insurance contracts issued and reinsurance transfers	-	-
- insurance contracts issued that constitute liabilities/assets (+/-)	-	-
- transfers under reinsurance that constitute liabilities/assets (+/-)	-	-
Net cash flow generated from/used in operating activities	(150,126)	1,091,669
B. INVESTMENT ACTIVITIES		
1. Cash flow generated from	29,693	20,518
- sales of equity investments	-	18
- dividends collected on equity investments	1,237	1,478
- sales of property, plant and equipment	28,420	19,022
- sales of intangible assets	36	-
- sales of subsidiaries and business units	-	-
2. Cash flow used in	(57,151)	(101,062)
- purchases of equity investments	-	(2,294)
- purchases of property, plant and equipment	(45,538)	(85,296)
- purchases of intangible assets	(11,613)	(13,472)
- purchases of subsidiaries and business units	-	-
Net cash flow generated from/used in investment activities	(27,458)	(80,544)
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	(1,857)	(2,266)
- issues/purchases of equity instruments	724	61,156
- distribution of dividends and other purposes	(27,487)	(21,565)
- sale/purchase of controlling interests of third parties	-	-
Net cash flow generated from/used in funding activities	(28,620)	37,325
NET CASH FLOW GENERATED FROM/USED DURING THE YEAR	(206,204)	1,048,450

CASH FLOW STATEMENT - Reconciliation

Financial statement items	Amount	
	31/12/2023	31/12/2022
Cash and cash equivalents at the beginning of the year	1,167,596	119,146
Total net cash flow generated from/used during the year	(206,204)	1,048,450
Cash and cash equivalents: effect of changes in exchange rates	0	-
Cash and cash equivalents at the end of the year	961,392	1,167,596

Notes to the Consolidated Financial Statements

Part A Accounting policies

Part A - Accounting policies

A.1 - General part

Section 1 - Declaration of compliance with international accounting standards

These financial statements were drawn up in accordance with the current International Financial Reporting Standards (IFRS, formerly IAS), as adopted by the European Union, and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The application of international accounting standards is also carried out with reference to the "Framework for the preparation and presentation of financial statements".
Below is a list of the IAS/IFRS in force, as endorsed by the European Commission, which have been adopted for the preparation of these financial statements:
IFRS 3 Business Combinations
IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IFRS 15 Revenue
IFRS 16 Leases
IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 Events After the Reporting Period
IAS 12 Income Taxes
IAS 16 Property, Plant and Equipment
IAS 19 Employee Benefits
IAS 21 Effects of Changes in Foreign Exchange Rates
IAS 23 Borrowing Costs
IAS 24 Related Party Disclosures
IAS 26 Accounting and Reporting by Retirement Benefit Plans
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 Financial Instruments: Presentation
IAS 36 Impairment of Assets
IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 40 Investment Property

IFRS accounting standards, amendments and interpretations applied from 1 January 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Bank starting from 1 January 2023:

- On 18 May 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The standard was applied starting from 1 January 2023. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The adoption of this standard and related amendment had no impact on the Group's consolidated financial statements.
- On 7 May 2021, the IASB published an amendment called "Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction". The document clarifies how deferred taxes on certain transactions that can generate assets and liabilities of equal amount at the date of first entry, such as lease and dismantling obligations, must be accounted for. The amendments were applied starting from 1 January 2023. The adoption of this amendment had no impact on the Group's consolidated financial statements;
- On 12 February 2021, the IASB published two amendments called "Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates - Amendments to IAS 8". The amendments regarding IAS 1 require an entity to disclose the relevant information on the accounting standards applied by the Group. The amendments are intended to improve the disclosure of accounting standards applied by the Group in order to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments were applied starting from 1 January 2023. The adoption of these amendments had no impact on the Group's consolidated financial statements;
- On 23 May 2023, the IASB published an amendment called "Amendments to IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules". The document introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (which are effective in Italy as of 31 December 2023, but applicable as of 1 January 2024) and provides for specific disclosure requirements for entities affected by the related International Tax Reform. The document provides for the immediate application of the temporary exception, while the disclosure requirements are applicable only to annual financial statements commencing on or after 1 January 2023, but not to interim financial statements with a closing date prior to 31 December 2023.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not adopted early at 31 December 2023

The following accounting standards, amendments and interpretations have been endorsed by the European Union, but are not yet mandatorily applicable and have not been adopted early by the Group at 31 December 2023:

- On 23 January 2020, the IASB published an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment named "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". These changes aim to clarify how to classify payables and other short or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The changes come into effect from 1 January 2024;

early application is however permitted. The directors do not expect the adoption of this amendment to have a significant impact on the Group's consolidated financial statements.

- On 22 September 2022, the IASB published an amendment called "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to assess the lease liability deriving from a sale & leaseback transaction so as not to recognise an income or a loss that refers to the retained rights of use. The amendments will apply from 1 January 2024, but early application is permitted. The Directors do not expect a significant effect in the Group's consolidated financial statements.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union at 31 December 2023

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and standards described below.

- On 25 May 2023, the IASB published an amendment named "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements". The document requires an entity to provide additional disclosures about reverse factoring arrangements that enable users of financial statements to assess how financial agreements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of those agreements on the entity's exposure to liquidity risk. The amendments will apply from 1 January 2024, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant impact on the Group's Consolidated Financial Statements;
- On 15 August 2023, the IASB published an amendment named "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to apply a consistent methodology for verifying whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosures to be made in the Notes to the financial statements. The amendment shall apply from 1 January 2025, but early application is permitted. The directors do not expect the adoption of this amendment to have a significant impact on the Group's consolidated financial statements.
- On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only first-time adopters of IFRSs to continue to recognise the amounts relating to Rate Regulation Activities in accordance with the previous accounting standards adopted. As the Company is not a first-time adopter, this standard is not applicable.

Section 2 - General preparation principles

The Consolidated Financial Statements consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flows Statement and the Notes to the Consolidated Financial Statements, which includes relevant information on the accounting standards applied and is accompanied by the Board of Directors' Report on Group Operations in Compliance with the rules for preparation.

For the preparation of the financial statements and the content of the notes to the financial statements, the provisions of Circular no. 262 of 22 December 2005 "Bank financial statements: formats and rules for preparation" and subsequent updates, most recently the 8th update published on 17 November 2022. In particular, this is the Circular issued by the Bank of Italy in the exercise of the powers established by the aforementioned Legislative Decree 38/2005 (hereinafter also referred to as "Circular no. 262").

The financial statements are prepared on a going concern basis, on an accrual basis, in accordance with the principle of relevance and materiality of information and substance over form.

Assets and liabilities, costs and revenues have not been offset, except in cases where this is expressly required or permitted by the accounting standards.

Pursuant to IAS 10, adjustments were made to reflect events subsequent to the reference date, if required by the international standard.

The Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income and the Consolidated Cash Flow Statement show, in addition to the amounts for the reporting year, the corresponding comparative figures at the end of the previous year.

The values are expressed, unless otherwise indicated, in thousands of euro.

The consolidated Balance Sheet and the consolidated Income Statement do not include items that do not present amounts for either the current or the previous year; similarly, tables that do not present amounts or changes in the same years are not shown in the Notes to the consolidated financial statements.

Any differences in the figures expressed in the Notes to the financial statements are due to rounding.

The joint coordination committee between the Bank of Italy, Consob and Isvap on the application of IAS/IFRS, with document no. 2 of 6 February 2009 "*Information to be provided in financial reports on the going concern, financial risks, impairment testing of assets and uncertainties in the use of estimates*", as well as with subsequent document no. 4 of 4 March 2010, requested the Directors to make particularly accurate assessments on the existence of the going concern assumption.

In this regard, paragraphs 25-26 of IAS 1 state that: "*In the preparation of financial statements, management must make an assessment of the entity's ability to continue as a going concern. Financial statements must be prepared on a going concern basis unless management intends to liquidate the entity or discontinue its operations, or has no realistic alternative to this. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. If the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the criteria applied to the preparation of the financial statements and the reason why the entity is not regarded as a going concern*".

The conditions of the financial markets and of the real economy and the forecasts formulated with reference to the short/medium term require particularly accurate assessments on the existence of the going concern assumption, as the Group's history of profitability and easy access to financial resources may no longer be sufficient in the current context.

The greatest concerns for the near future continue to refer to the continuing scenario of uncertainty still characterised by the backlash from the effects of the rise in the cost of raw materials, affected in part by the protracted Russian-Ukrainian conflict and, in recent months, by the resumption of the Israeli-Palestinian conflict, with the rockets fired from Gaza by the Hamas terrorist group and the subsequent harsh retaliation conducted by Israel. The rise in the cost of raw materials, which is in the process of receding, has led to an exponential rise in the level of inflation during 2022. Already in the first part of 2023, however, the first signs of decreasing inflation for food and industrial goods could be observed, as they began to incorporate the substantial reduction in energy input prices. Inflation continued to fall in the second half of the year, coinciding with expectations of a downward shift in the rate curve, especially on medium- to long-term maturities.

In this regard, it is specified that the Management and Control Bodies consider very carefully the prospect of the continuation of the company's activity.

To this end, after examining the risks and uncertainties associated with the current macroeconomic context, it is deemed reasonable, also in consideration of the improvement in the equity, economic and financial indicators, which have reached levels considered satisfactory, to expect that the Group will continue to operate in the foreseeable future and, consequently, the financial statements have been prepared on a going concern basis.

Section 3 - Scope and methods of consolidation

1. Equity investments in wholly-owned subsidiaries

The scope of consolidation includes the following companies:

Company name	Operational office	Registered office	Type of relationship (*)	Shareholding relationship		Availability of votes %
				Investing company	Stake %	
1. Banca di Cividale SB S.p.A.	Cividale del Friuli (UD)	Cividale del Friuli (UD)	1	CR Bolzano S.p.A.	79.10	79.10
2. Sparim S.p.A.	Bolzano	Bolzano	1	CR Bolzano S.p.A.	100.00	100.00
3. Raetia SGR S.p.A. in liquidation	Bolzano	Bolzano	1	CR Bolzano S.p.A.	100.00	100.00
4. Sparkasse Haus S.r.l.	Bolzano	Bolzano	1	CR Bolzano S.p.A.	100.00	100.00
5. Dolomit Real Estate Fund in liquidation	Milan	Milan	4	CR Bolzano S.p.A.	96.82	
6. SPK OBG S.r.l.	Conegliano Veneto (TV)	Conegliano Veneto (TV)	4	CR Bolzano S.p.A.	60.00	60.00
7. Fanes SPV S.r.l.	Conegliano Veneto (TV)	Conegliano Veneto (TV)	4	CR Bolzano S.p.A.	0.00	0.00
8. Civitas Spv S.r.l.	Conegliano Veneto (TV)	Conegliano Veneto (TV)	4	Banca di Cividale SB S.p.A.	0.00	0.00
9. Sparkasse Energy S.r.l. (formerly Albae S.r.l.)	Bolzano	Bolzano	1	Sparim S.p.A.	100.00	100.00

(*) Key:
1 = majority of voting rights in the ordinary shareholders' meeting;
2 = dominant influence in the ordinary shareholders' meeting;
3 = agreements with other shareholders
4 = other forms of control
5 = single management pursuant to Article 26, paragraph 1, of "Legislative Decree 87/92"
6 = single management pursuant to Article 26, paragraph 2, of "Legislative Decree 87/92"

The company Albae S.r.l., already renamed Sparkasse Energy S.r.l., acquired on 3 July 2023 and wholly owned by Sparim S.p.A., the Group's real estate company, enters the scope of consolidation as from 30 September 2023. The newly acquired company will develop and put into production two solar farms located in the province of Verona and in the province of Mantua. Sparim acquired a total equity investment of Euro 1.8 million in Albae, a company that has already obtained the administrative authorisations for the construction and management of two photovoltaic farms for a total power of about 8 megawatts, amounting to almost double the annual electricity consumption of the Group's business properties, i.e. 3 headquarters and 170 branches. The first plant will be able to enter into operation at the beginning of 2024, while the second by the end of the same year. Subsequently, Sparim subscribed a share capital increase for Euro 2.8 million.

After the acquisition of control by Sparim S.p.A., the land of Gazzo Veronese and Villa Poma was purchased, for production/industrial use, on which the two solar farms will be developed for a total area of about 12 hectares. In agreement with Enel, a major infrastructure work will also be carried out that will improve the electrification of the area in which the company will operate. Through this operation, in addition to achieving the environmental objectives that the Sparkasse Group has set out for itself, the cost of the energy that Sparkasse consumes will be stabilised in the medium to long term, with a positive impact on the Group's income statement.

Lastly, it should be noted that the company, as at 31 December 2023, was consolidated in the Group financial statements and that, based on IFRS 3, a PPA process was carried out which led to the recognition of a final goodwill of approximately Euro 214 thousand.

The carrying amount of the equity investments in companies consolidated on a line-by-line basis is offset, against the assumption of the assets and liabilities of the investee, with the corresponding portion of the shareholders' equity of the companies.

The following operations are also carried out:

- derecognition of payables and receivables and intra-group costs and revenues, as well as dividends collected;
- derecognition of intra-group profits not realised with third parties.

It should be noted that the Group owns 96.82% of the shares of the Dolomit Real Estate Fund, without however holding effective voting right.

The accounting standard IFRS 10 requires the consolidation of a company even if there is no shareholding in the vote, but if control is exercised over the relevant activities of the same and if an entity has the power to affect its economic results. Given this assumption, the vehicle companies of the securitisation transactions Fanes S.r.l. and Civitas S.r.l. are fully consolidated.

Also included in the scope of consolidation is the investment over which the Parent Bank exercises a significant influence, i.e. holds a stake of between 20% and 50%. This company is consolidated using the equity method.

Company name	Operational office	Registered office	Shareholding relationship	
			Investing company	Stake %
Autosystem società di servizi S.p.A.	Pordenone	Trento	CR Bolzano S.p.A.	25.00

2. Significant valuations and assumptions to determine the scope of consolidation

The scope of consolidation, as provided for by the IFRS 10, consists of the Parent Bank and the companies, even if they carry out dissimilar activities, which are in any case controlled by the Parent Bank.

As in the previous year's financial statements, it should be noted that the investment in Raetia SGR S.p.A., in liquidation (100%), although it is included in the scope of consolidation, following its liquidation on 27 April 2012, total assets and liabilities as well as the result of the income statement have been classified respectively under the items "Non-current assets and groups of assets held for sale", "Liabilities associated with assets held for sale" and "Gains (losses) from groups of assets held for sale" for their carrying amount after the cancellation and consolidation entries.

As of 15 November 2013, the closed-end real estate fund Dolomit in liquidation, in which the Group held 96.82% at 31 December 2023, is also included in the scope of consolidation, and for which the balance sheet and income statement have been fully consolidated on the basis of the Fund's Final Liquidation Report at 29 November 2018 (the last Report approved by the Board of Directors of the company Castello sgr). In January 2019, the asset management company proceeded with the partial redemption of the units to the subscribers of the Fund in accordance with the provisions of the distribution plan. The residual cash will be made available to investors, once the terms for the possible emergence of further liabilities have elapsed, according to the prudent and reasonable assessment of the SGR. Therefore, at 31 December 2023, the Fund is still consolidated, but the residual values are negligible.

As already specified at the end of the previous table, the special purpose entities Fanes Srl and Civitas Srl are also included in the scope of consolidation based on the provisions of IFRS 10.

3. Equity investments in wholly-owned subsidiaries with significant minority interests

With the entry as from 30 June 2022 of the subsidiary Banca di Cividale, whose minority interests represent 20.90% of the share capital, the separate financial statements of the same subsidiary are reported in this section.

Banca di Cividale S.p.A.
Financial statements at 31 December 2023
Euro

Asset items		31/12/2023		31/12/2022	
10	Cash and cash equivalents		129,377,050		452,857,733
20	Financial assets measured at fair value through profit or loss		36,295,858		35,093,195
	a) financial assets held for trading	535,745		2,656,745	
	b) financial assets designated at fair value	-		-	
	c) other financial assets mandatorily measured at fair value	35,760,113		32,436,450	
30	Financial assets measured at fair value through other comprehensive income		132,796,177		128,399,515
40	Financial assets measured at amortised cost		4,425,770,730		4,760,511,591
	a) loans to bank	252,647,183		177,205,467	
	b) loans to customers	4,173,123,547		4,583,306,124	
50	Hedging derivatives		127,890		-
60	Value adjustment of financial assets subject to macro-hedging (+/-)		-		-
70	Equity investments		2,287,700		2,287,700
80	Property, plant and equipment		65,405,481		65,377,684
90	Intangible assets		5,545,373		52,607
	of which:				
	- goodwill	-		-	
100	Tax assets		59,257,668		67,786,494
	a) current	9,653,341		3,405,215	
	b) deferred	49,604,327		64,381,279	
110	Non-current assets and groups of assets held for sale		12,373		-
120	Other assets		189,508,900		89,095,732
	Total Assets		**5,046,385,200**		**5,601,462,251**

Banca di Cividale S.p.A.
Financial statements at 31 December 2023
Euro

Liabilities and shareholders' equity items		31/12/2023		31/12/2022	
10	Financial liabilities measured at amortised cost		4,583,038,143		5,203,651,344
	a) due to banks	1,196,302,937		1,358,626,217	
	b) due to customers	3,377,734,315		3,810,738,594	
	c) securities issued	9,000,891		34,286,533	
20	Financial liabilities held for trading		30,802		25,162
40	Hedging derivatives		-		-
60	Tax liabilities		1,944,865		1,177,167
	a) current	992,445		197,377	
	b) deferred	952,420		979,790	
80	Other liabilities		124,553,551		72,461,240
90	Employee severance indemnity		2,298,454		2,673,597
100	Provisions for risks and charges:		13,731,369		14,972,810
	a) commitments and guarantees issued	3,716,557		3,942,438	
	c) other provisions for risks and charges	10,014,812		11,030,372	
110	Valuation reserves		770,021		(2,762,337)
140	Reserves		75,174,210		75,164,855
150	Share premiums		154,735,482		188,548,482
160	Share capital		79,362,930		79,362,930
180	Profit (loss) for the year (+/-)		10,733,000		(33,813,000)
	Total liabilities and shareholders' equity		**5,046,385,200**		**5,601,462,251**

Banca di Cividale S.p.A.
Financial statements at 31 December 2023

Items	31/12/2023		31/12/2022	
10 Interest income and similar revenues		171,775,878		119,703,614
of which: interest income calculated using the effective interest met	171,735,138		119,657,053	
20 Interest expense and similar charges		(81,140,517)		(17,741,933)
30 Net interest income		**90,635,361**		**101,961,681**
40 Fee and commission income		42,624,192		45,777,200
50 Fee and commission expense		(6,690,291)		(6,171,977)
60 Net fee and commission income		**35,933,901**		**39,605,223**
70 Dividends and similar income		1,237,339		1,478,182
80 Net profit (loss) from trading		724,044		(395,901)
100 Gains (losses) on disposal or repurchase of:		(2,108,771)		(14,267,485)
a) financial assets measured at amortised cost	(2,111,537)		(14,544,962)	
b) financial assets measured at fair value through other comprehensive income	2,271		276,768	
c) financial liabilities	495		709	
110 Net income from other financial assets and liabilities measured at fair value through profit or loss		(920,362)		(4,522,386)
b) other financial assets mandatorily measured at fair value	(920,362)		(4,522,386)	
120 Net interest and other banking income		**125,626,159**		**123,859,314**
130 Net value adjustments for credit risk relating to:		(27,737,631)		(63,376,382)
a) financial assets measured at amortised cost	(27,775,765)		(63,191,319)	
b) financial assets measured at fair value through other comprehensive income	38,134		(185,063)	
140 Gains/losses from contractual amendments without cancellations		(148,574)		(142,280)
150 Net income from financial management		**97,739,954**		**60,340,652**
160 Administrative expenses:		(77,353,894)		(85,558,574)
a) personnel expenses	(38,465,019)		(49,760,128)	
b) other administrative expenses	(38,888,875)		(35,798,446)	
170 Net allocations to provisions for risks and charges		(2,367,770)		(6,416,392)
a) commitments and guarantees issued	225,880		(3,044,420)	
b) other net allocations	(2,593,650)		(3,371,972)	
180 Net value adjustments/write-backs to property, plant and equipment		(3,965,970)		(21,999,999)
190 Net value adjustments/write-backs to intangible assets		(478,607)		(48,170)
200 Other operating income/expenses		4,215,392		3,755,540
210 Operating costs		**(79,950,849)**		**(110,267,595)**
220 Gains (losses) on equity investments		-		1,468,637
230 Net result from fair value measurement of property, plant and equipment and intangible assets		(784,190)		521,841
250 Gains (losses) from disposal of investments		698		28,155
260 Profit (loss) from current operations before tax		**17,005,613**		**(47,908,310)**
270 Income taxes for the year on current operations		(6,272,613)		14,095,310
280 Profit (loss) from current operations after tax		**10,733,000**		**(33,813,000)**
300 Profit (loss) for the year (+/-)		**10,733,000**		**(33,813,000)**

4. Significant restrictions

As part of the Banks and Companies that form the scope of consolidation of the Sparkasse Group, there are no significant restrictions as required by IFRS 12 § 13.

5. Other information

The financial statements of the subsidiaries used for the preparation of these Financial Statements refer to 31 December 2023 with the exception of the Dolomit Fund in liquidation, for which the Final Liquidation Report at 29 November 2018 was used.

Section 4 - Events after the reporting date

In relation to the provisions of IAS 10, we inform you that in the period between 31 December 2023, the reference date of these financial statements, and the date of approval of the financial statements, no events occurred that would lead to a change in the figures approved at that time. The accounting estimates as at 31 December 2023 were made on the basis of the information available at that date.
For a description of events after the reporting date, please refer to the "Board of Directors' Report on Group operations".

Section 5 - Other aspects

Risks and uncertainties associated with the use of estimates

The estimation processes to support the carrying amount of the most significant valuation items recorded in the financial statements were completed, as required by the applicable accounting standards and reference regulations. These processes are based to a large extent on estimates of the future recoverability of the values recorded in the financial statements according to the rules set forth in the applicable regulations and were carried out on a going concern basis, i.e. regardless of the hypothesis of forced liquidation of the items subject to valuation.
The survey carried out confirms the carrying amounts of the items mentioned at 31 December 2023. However, it should be noted that the valuation process described is made particularly complex in consideration of the current macroeconomic and market context, characterised by levels of volatility that can be found on all the financial figures determining the valuation, and the consequent difficulty in formulating performance forecast, including in the short term, relating to the aforementioned financial parameters that significantly affect the values being estimated. The use of estimates and valuations that may have a significant impact on the values recorded in the balance sheet and in the income statement relate in particular to loans, valuation of financial assets and quantification of personnel provisions and provisions for risks and charges, use of valuation models for the recognition of the fair value of financial instruments not listed on active markets, equity investments and goodwill and the estimated recoverability of deferred tax assets.

Restatement of comparative data

With reference to the provisions of IFRS 3 par. 61, 62 and 63, as regards business combinations, it should be noted that there were no changes in the values reported in the previous year.

Change in measurement criteria

It should be noted that in 2023 the Group maintained the same measurement criteria as in the previous year.

Statutory audit

Starting from the 2019 consolidated and separate financial statements, the audit activity is carried out by the independent auditors Deloitte & Touche S.p.A., as resolved by the Shareholders' Meeting of the Parent Bank on 10 April 2018, which assigned to it the task of auditing, for the period 2019 - 2027, pursuant to Article 17, paragraph 1 of Legislative Decree no. 39 of 27 January 2010.

A.2 – Part related to the main financial statement items

The criteria for recognising, classifying, measuring, derecognising and recognising income components are illustrated below for each item in the balance sheet and, to the extent compatible, in the income statement.

<u>1 - Financial assets measured at fair value through profit or loss</u>

1.1 Financial assets held for trading

Recognition criteria

Financial assets held for trading are initially recognised on the settlement date at their fair value, which normally corresponds to the amount paid, with the exception of transaction costs and revenues, which are immediately recognised in the income statement even if directly attributable to said financial assets. Trading derivatives are recognised by trade date.

Classification criteria

A financial asset is classified as held for trading if:

- is acquired mainly with a view to being sold in the short-term;
- is part of a portfolio of financial instruments that is managed jointly and for which there is a strategy aimed at achieving profits in the short term;
- is a derivative contract not designated as part of hedging transactions, including derivatives with positive fair value embedded in financial liabilities other than those measured at fair value with recognition of the income effects in the income statement.

A financial instrument or other contract that has the following three characteristics is considered a derivative:

- its value changes in relation to the change in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate in foreign currency, a price or rate index, creditworthiness (rating) or credit ratios or other pre-established variable (generally referred to as the "underlying") provided that, in the case of a non-financial variable, this is not specific to one of the contractual parties;
- does not require an initial net investment or requires a smaller initial net investment than would be required for other types of contracts from which one would expect a similar fluctuation in value in response to changes in market factors;
- is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the instrument as a whole vary in a similar way to those of the stand-alone derivative.

An embedded derivative is separated from financial assets and/or liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is accounted for as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not strictly related to those of the host contract;
- a separate instrument with the same conditions as the embedded derivative would meet the definition of a derivative; and
- the hybrid instrument is not measured in its entirety at fair value through profit or loss.

In cases where the embedded derivatives are separate, the primary contracts are accounted for according to the category to which they belong.

Measurement and recognition criteria for income components

After the initial recognition, the assets are measured at fair value.

To determine the fair value of debt and equity securities listed (contributed) in an active market (level 1), the market prices of the last day of the reference year are used. In the absence of an active market (level 2), estimation and valuation methods based on market data and usually accepted in financial practice are used. These include: calculations of discounted cash flows, values recognised in recent transactions, valuations of listed instruments with similar characteristics. If data is not available to carry out the valuations according to the aforementioned methods, a fair value (level 3) measurement is carried out using non-observable data (e.g. adjusted shareholders' equity; costs, if they represent the best expression of fair value).

To determine the fair value of derivative contracts, estimation methods and valuation models (level 2) are used, such as the discounting of expected cash flows, through an internal valuation method carried out by the Risk Management Service.

Gains and losses realised both from sale or redemption, and from the change in fair value of financial assets held for trading, are recognised in the income statement item "Net profit (loss) from trading".

Commissions and interest are recognised on an accruals basis under interest.

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

1.2 Financial assets designated at fair value

Classification criteria

A non-derivative financial asset can be designated at fair value if this designation makes it possible to avoid accounting mismatches deriving from the measurement of assets and associated liabilities according to different measurement criteria.

Measurement and recognition criteria for income components

The accounting treatment of these transactions is similar to that of "Financial assets held for trading". The income statement components are recognised in the item "Net income from other financial assets and liabilities measured at fair value".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

1.3 Other financial assets mandatorily measured at fair value

Classification criteria

A financial asset is classified as a financial asset mandatorily measured at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for measurement at amortised cost or at fair value through other comprehensive income.

In particular, the following are classified in this portfolio:

- debt instruments, securities and loans whose business model is neither held to collect nor held to collect and sell, but which do not belong to the trading book;
- debt instruments, securities and loans, whose cash flows do not represent only the payment of principal and interest;
- UCITS units;

- equity instruments for which the Group does not apply the option granted by the standard to measure these instruments at fair value through other comprehensive income.

Measurement and recognition criteria for income components

The accounting treatment of these transactions is similar to that of "Financial assets held for trading". The income statement components are recognised in the item "Net income from other financial assets and liabilities measured at fair value".

Derecognition criteria

Financial assets are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

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

Recognition criteria

Financial assets measured at fair value through other comprehensive income are initially recognised on the settlement date at fair value, which normally corresponds to the transaction price including transaction costs and revenues directly attributable to the instrument itself.

Classification criteria

A financial asset is classified as a financial asset measured at fair value through other comprehensive income if:

- the objective of its business model is pursued through both the collection of contractual cash flows and the sale of financial assets ("held-to-collect and sell");
- the related cash flows represent only the payment of principal and interest.

Equity instruments for which the Group applies the option granted by the standard to measure these instruments at fair value through other comprehensive income are also classified in this category.

Measurement and recognition criteria for income components

After initial recognition, interest accrued on interest-bearing instruments is recognised in the income statement according to the amortised cost method.

Gains and losses deriving from changes in fair value are recognised in the Statement of comprehensive income and posted under item 120. "Valuation reserves".

These instruments, both in the form of debt securities and of loans and receivables, are subject to calculation of expected credit losses, or the assessment of the issuer's creditworthiness, as illustrated in the specific section "Impairment".

These impairments are recorded in the income statement with a contra-entry in the statement of comprehensive income and are also posted under item 120. Valuation reserves, as an adjustment of the fair value delta recorded therein.

In the event of disposal, the accumulated gains and losses are recognised in the income statement.

With regard to equity instruments, gains and losses deriving from changes in fair value are recognised in the Statement of comprehensive income and posted under item 120. Valuation reserves.

In the event of disposal, the accumulated gains and losses are recorded under item 150. Other equity reserves.

Equity instruments are not recognised in the income statement for expected credit losses, intended as impairment in compliance with the provisions of IFRS 9.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

Equity OCI Option

With regard to non-trading equity instruments (basically, equity investments held, excluding majority interests), IFRS 9 provides for the possibility of classifying them at fair value through other comprehensive income (so-called *FVTOCI*); this is an irrevocable choice (defined as the OCI option) and in this case there is no recycling in the income statement, even in the case of sale of the instrument. Only dividends are recorded in the income statement. However, dividends are recognised as a contra-entry when they represent a repayment of the investment, rather than a return on the investment. This occurs in the event of the collection of dividends where the value of the instrument is significantly lower than the purchase cost thereof. The option can be exercised at the level of the individual financial instrument and individual purchase tranche, and can be exercised upon initial recognition of the instrument.

For Cassa di Risparmio di Bolzano, this is an option that affects minority holdings which, pursuant to the previous accounting standard IAS 39, were classified in the AFS portfolio. The Group has moved towards adopting the option (OCI option) for all investments held with the exception of the equity investment in Satispay S.p.A. and Banca popolare di Cividale S.p.A.

3 - Financial assets measured at amortised cost:

Recognition criteria

The initial recognition of the financial asset takes place, on the settlement date, at fair value, normally coinciding with the cost, including transaction costs or income.

Classification criteria

A financial asset is classified as a financial asset measured at amortised cost if:

- the objective of its business is the possession of assets aimed at the collection of contractual cash flows ("held-to-collect");
- the related cash flows represent only the payment of principal and interest.

These items also include the net values referring to finance lease transactions of assets under construction and assets pending finance lease, whose contracts have the characteristics of "contracts with transfer of risks".

Measurement and recognition criteria for income components

After initial recognition at fair value, these assets are measured at amortised cost, which determines the recognition of interest on the basis of the effective interest rate criterion pro rata temporis over the duration of the receivable.

The carrying amount of financial assets at amortised cost is adjusted to take into account the reductions/write-backs resulting from the valuation process in accordance with paragraph 8 below "Impairment".

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on the cash flows deriving from the assets themselves expire or when the asset is sold by transferring all the risks and benefits related to it.

With specific reference to receivables, they are derecognised when they are extinguished, sold or become impaired with the simultaneous transfer of all related risks and benefits.

4 - Financial liabilities measured at amortised cost

Recognition criteria

Initial recognition of these financial liabilities takes place when the amounts are received or the securities are issued. The recognition is made on the basis of the fair value of these liabilities, equal to the amounts collected or the issue price modified by any additional costs/income directly attributable to the individual issue.

Classification criteria

Payables and securities issued include amounts due to banks and due to customers in the various forms of funding (current accounts, loans, deposits, savings deposits, third party funds under administration, repurchase agreements in securities) and securities (certificates of deposit and bonds) issued and outstanding, net of any repurchases, not subject to operational risk hedging through the signing of derivative contracts.

Measurement and recognition criteria for income components

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Bonds, certificates of deposit and time deposits with customers classified in hedge accounting are measured at fair value with recognition of the related change in the income statement (fair value hedge). An exception is made for short-term liabilities, which are stated at the amount received. Interest is recognised on an accruals basis.

Derecognition criteria

Derecognition occurs when the liabilities are extinguished or expired, as well as when securities previously issued are repurchased; in this case, the differential between the recognition price and the repurchase price is recognised in the income statement.

Any subsequent placement on the market is considered as a new issue and is recognised at the new placement price without any effect on the income statement.

5 - Financial liabilities held for trading

Recognition criteria

Initial recognition takes place on the settlement date for debt and equity securities and on the subscription date for derivative contracts. At the time of initial recognition, liabilities are recognised at fair value, normally coinciding with the cost, without considering transaction costs or income that are directly charged to the income statement.

Classification criteria

This item includes:

- derivative contracts, with a negative current value, held for trading purposes. This item includes derivative contracts entered into to hedge interest rate risks on assets that do not meet the requirements set for hedge accounting and have therefore been reclassified as trading derivatives;
- derivative contracts, with a negative current value, related to the application of the fair value option;
- any other financial liabilities held for trading.

Measurement and recognition criteria for income components

For financial liabilities held for trading, the same criteria apply as for "Financial assets held for trading".

Derecognition criteria

Financial liabilities are derecognised when the contractual rights on the cash flows deriving from the liabilities themselves expire or when the liability is sold by transferring all the risks and benefits related to it.

6 - Financial liabilities designated at fair value

Recognition criteria

At the time of initial recognition, liabilities are recognised at fair value, normally coinciding with the cost, without considering transaction costs or income.

Classification criteria

This category includes financial liabilities that, similar to financial assets, may be designated as financial liabilities measured at fair value upon initial recognition, in accordance with IFRS 9, provided that:

- this designation eliminates or considerably reduces a mismatch that would otherwise result from the measurement on different bases of assets or liabilities and the relative profits and losses;

or,

- a group of financial assets, financial liabilities or both is managed and measured at fair value according to a risk management or an investment strategy documented internally by the Company's Management Bodies.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that would otherwise have had to be separated.

In application of the above, this item includes bonds issued, net of repurchases, whose market risk is hedged on a management basis through derivative contracts. The current value of the latter is reclassified under assets/liabilities held for trading.

The remaining bonds issued are classified under "Securities issued".

Financial liabilities belonging to this category are measured at fair value initially and over the life of the transaction.

Measurement and recognition criteria for income components

Changes in fair value are recognised in the income statement with the exception of any changes in fair value deriving from changes in own creditworthiness, which are stated in item 120. "Valuation reserves" unless such recognition results in a mismatch arising from the measurement on different bases of assets or liabilities and the relative profits and losses, in which case changes in fair value arising from changes in own creditworthiness are also recognised in the income statement.

Derecognition criteria

Liabilities are derecognised when they are extinguished or when the obligation specified in the contract is fulfilled or cancelled or expired.

7 - Other issues - Purchased or originated impaired financial assets

If, upon initial recognition, a credit exposure is recorded under item 30. Financial assets measured at fair value through other comprehensive income or 40. Financial assets measured at amortised cost, is impaired, it is classified as "Purchased or Originated Credit Impaired - POCI.

The amortised cost and, consequently, the interest income generated by these assets are calculated considering, in the estimate of future cash flows, the credit losses expected over the entire residual life of the asset.

"Purchased or originated impaired financial assets" are conventionally presented at initial recognition as part of Stage 3.

If, following an improvement in the creditworthiness of the counterparty, the assets are "performing", they are classified as part of Stage 2.

These assets are never classified under Stage 1 since the expected credit loss must always be calculated considering a time horizon equal to the residual maturity.

In addition to purchased impaired assets, the Group identifies as "Purchased or originated impaired financial assets" the credit exposures originated as a result of restructuring transactions of impaired exposures that resulted in the origination of new loans that are significant, in absolute or relative terms, proportionally to the amount of the original exposure. In this regard, in order to be considered significant, the origination of new loans must amount to more than 10% of the value of the previously outstanding restructured positions. The disbursements of new loans of less than 10% of the restructured positions, but in an amount exceeding Euro 500 thousand, will also be considered as "POCI".

8 - Value adjustments ("Impairment")

General aspects

Loans and debt securities classified under financial assets at amortised cost, financial assets measured at fair value through other comprehensive income and the relevant off-balance sheet exposures are subject to the calculation of value adjustments in accordance with IFRS 9.

In this regard, these instruments are classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit quality with respect to the initial disbursement.

In particular:

Stage 1: includes (i) newly originated or acquired credit exposures, (ii) exposures that have not suffered a significant deterioration in credit risk with respect to the initial recognition date and (iii) exposures with low credit risk exemption.

Stage 2: includes credit exposures that, although not impaired, have undergone a significant deterioration in credit risk compared to the initial recognition date.

Stage 3: includes impaired credit exposures.

For exposures belonging to stage 1, total value adjustments are equal to the expected loss calculated over a time horizon of up to one year.

For exposures belonging to stages 2 or 3, total value adjustments are equal to the expected loss calculated over a time horizon equal to the entire duration of the related exposure.

In order to meet the requirements of the standard, the Group uses specific models for calculating the expected loss, which use the parameters of probability of default ("PD"), loss given default ("LGD") and exposure at the date of default ("EAD") to ensure consistency with accounting standards. Forward-looking information was also included through the development of specific scenarios.

A key aspect deriving from the accounting model introduced by IFRS 9 and required for the calculation of the expected credit loss is represented by the stage allocation model aimed at transferring the (performing) exposures between Stage 1 and Stage 2 (Stage 3 being equivalent to that of non-performing exposures).

In the Group, the Stage Allocation assessment model was based on a combination of internal and absolute elements. The main elements were:

- the comparison at the transaction level between the PD measure at the time of disbursement and the PD measure at the reporting date, both of which are quantified using internal models, using thresholds that are set to consider all key variables in each transaction that may affect the bank's expectation of changes in PD over time;
- absolute elements required by the regulations (e.g. 30 days past due) and additional internal evidence such as, for example, new classification among the forborne exposures, other elements and presence of particular anomalies (of the class "strong alerts") in the CQM (Credit Quality Management) procedure.

The criteria for determining the write-downs to be made to receivables (Stage 2) are based on the discounting of expected cash flows for principal and interest, in line with the portfolio management model, and the key elements are represented by the identification of estimated collections, the related collection dates and the discount rate to be applied.

With reference to debt securities, the Group opted for the application of the "low credit risk exemption" on investment grade securities, in full compliance with the provisions of the accounting standard.

The area of non-performing loans (Stage 3) includes the following types of problem loans:

- bad loans;
- unlikely to pay;
- past due or overrun loans.

Impairment losses on individual non-performing loans are equal to the negative difference between their recoverable amount and the corresponding amortised cost.

The recoverable amount is equal to the present value of expected cash flows for principal and interest calculated on the basis of:

1. the expected recovery value of loans, i.e. the value of contractual cash flows in terms of principal and interest net of expected losses;
2. the expected recovery time;
3. the discount rate, which is equal to the original internal rate of return.

Therefore, with reference to the different types of problem loans, the method used to determine the expected recovery value and the expected recovery time is as follows:

- <u>bad loans</u>:
  Bad loans represent exposures to insolvent (or substantially similar) parties that the Parent Bank has placed in default and for which the contractual payment terms have therefore expired and forced recovery has been initiated.
  As a general rule, therefore, the expected recovery value of bad loans must be calculated analytically, also taking into account the recovery rates that have historically occurred on similar risk positions.
  The determination of the expected recovery value of bad loans is differentiated according to whether the exposure is secured or unsecured, in which case it is necessary to consider whether it is "collateral" or "personal".
  When the customer is classified under "bad loans", the expected recovery value takes into account the value previously identified among the positions "unlikely to pay".
  As part of the semi-annual review of the adequacy of analytical provisioning for positions classified as bad loans and taking into account:
  - the actual collections, including partial;
  - the presence of credit preservation acts after the opening of the bad loan (e.g. registration of a judicial mortgage on a large property);

- indications of a further reduction in the value of the collateral based on updated estimates and more generally the overall picture of the position (initiation of procedures, unsuccessful auctions, etc.).

Any upward adjustments or write-backs will be recorded, in particular for those positions that have benefited from significant collections. Significant collections are generally defined at least 10% of the outstanding debt with a minimum amount of Euro 150,000 on positions with residual pre-redemption exposures exceeding Euro 500,000

If the full recovery of the capital portion recognised as bad loan is doubtful, the positions are usually rendered non-interest bearing.

If there is evidence, also on the basis of legal assessments, of the current and future non-recoverability of all or part of the principal of the position (e.g. non-liability in the event of proceedings, evidence of non-recoverable impairment of the guarantees supporting the position, closure of bankruptcy proceedings, ascertained inability to act further on other sources of recovery, etc.), it will be possible to evaluate the transfer to a loss, even partial, of the position by adequately justifying the request.

Even in the case of resolutions accepting "balance and write-off" offers of the positions according to the provisions of the Credit Process, the residual principal part not satisfied will be classified as a loss.

- unlikely to pay:

  unlikely to pay loans represent those credit relationships which, despite the temporary payment difficulties of their debtors, are still in full operation and for which the original contractual terms (or those possibly renegotiated with the counterparties) remain in force. For these exposures, therefore, the estimate of the expected recovery value can only be made taking into account the contractual cash flows net of the related expected loss and the changed recovery time forecasts, therefore assuming a return to normality of these exposures once the payment difficulties by debtors are overcome. As for bad loans, the expected recovery value of unlikely to pay loans must be calculated analytically, also taking into account the recovery rates that have historically occurred on similar risk positions. The determination of the expected recovery value of unlikely to pay loans is differentiated according to whether the exposure is secured or unsecured, in which case it is necessary to consider whether it is "collateral" or "personal".

- past due or overrun loans:

  this category includes loans past due or overrun by more than 90 days calculated according to the current rules established by the Bank of Italy. The estimate of the expected recovery value of past due and/or overdue non-performing loans takes place in the "forfeit" form. The loss forecast is determined by applying a percentage of the average write-down of bad and unlikely to pay loans to the corresponding portion of loans which, on the basis of historical analysis, will be transformed into bad and unlikely to pay loans. The loss forecast is reviewed annually. In the 2023 financial year, the loss forecast was determined on a flat-rate basis at 20%, in line with the previous financial year.

Impairment losses are recorded in the specific income statement item "Net value adjustments/write-backs for credit impairment". The original value of the loans is reinstated in subsequent years to the extent that the reasons that determined the adjustment no longer apply, and the write-back is also recorded in the income statement.

The increases in the present value of non-performing loans deriving from the passage of time (i.e. the expected moment for recovery draws near) are also recognised, albeit separately, under interest income.

Referring to the considerations made above with reference to the model used to determine the expected loss on performing positions, the following is some detailed information on the variables used to estimate the probability of default of the entrusted counterparties and the recovery rates in the event of their default.

For the measurement of expected losses on performing positions, the following information must be acquired:

- the probability of default (PD), i.e. the probability that the counterparty is classified as a "non-performing" loan (in Supervisory terminology) in the time horizon of 1 year and is therefore not potentially able to fulfil, in whole or in part, its contractual obligations;
- the PD is determined by rating class and by counterparty segment/model;
- the exposure of the position (EAD - Exposure at Default), which is either the amount of the residual loan to the counterparty or the potential amount of the loan to the counterparty which the Parent Bank could risk losing in the event of the counterparty's default;
- the Loss Given Default (LGD), i.e. the expected loss rate on a given credit exposure in the event of default by the counterparty.

LGD is determined by technical form and by counterparty segment/model.

The measure of expected loss can be defined as the product of the probability of default by the counterparty, the loss rate in the event of default by the counterparty and the exposure to the counterparty.

Impairment losses determined on performing loans are also recorded in the specific income statement item "Net value adjustments/write-backs for credit impairment".

With reference to the portfolio of performing endorsement loans, divided in turn between Stage 1 and 2, the write-down is determined by applying to the existing positions the average Parent Bank LGD calculated quarterly and, where applicable, the counterparty's PD, otherwise the average Bank PD calculated quarterly.

9 - Hedging transactions

The Group avails itself of the option provided by IFRS 9 to continue to apply the accounting estimates relating to hedging transactions contained in IAS 39.

Recognition criteria

Hedging derivatives are initially recognised at the date of stipulation at fair value, normally corresponding to the consideration paid, excluding transaction costs or revenues directly attributable to the instrument, which are charged directly to the income statement.

Classification criteria

Risk hedging transactions are aimed at neutralising potential losses on a certain element or a group of elements (hedged item), attributable to a certain risk, through the profits recorded on a different element or a different group of elements (hedging instrument) in the event that particular risk should actually occur.

The types of hedges envisaged by IAS 39 are:

- fair value hedge: has the objective of reducing exposure to adverse changes in the fair value of financial assets and financial liabilities, due to a particular risk;
- cash flow hedge: aimed at reducing exposure to adverse changes in expected cash flows against financial assets, financial liabilities or highly probable future transactions;
- hedge of a net investment in a foreign entity: with the aim of reducing exposure to adverse changes in expected cash flows for a transaction in foreign currency.

It is possible to apply the criteria envisaged for hedging transactions only if all the following conditions are met:

- the hedging relationship is formally designated and documented at the beginning of the relationship, with an indication of the risk management objectives and the strategies to achieve hedging, the hedged item and hedging instrument, the type of risk hedged and the criteria to measure the effectiveness of the hedge;
- the hedge must be "highly effective", i.e. changes in the fair value or cash flows of the hedged item must be almost completely offset by the corresponding changes in the hedging instrument. This

offsetting effect must be realised in line with the risk management strategies, as originally documented (for hedging purposes). Furthermore, the effectiveness of the hedge (and therefore the related fair values) must be reliably measurable;

- the effectiveness of the hedge must be tested at the beginning and regularly throughout the life of the hedge. The hedge is considered highly effective when, at the beginning and during the relationship, there is an expectation that the changes, in terms of fair value and cash flows attributable to the hedged risk, will be almost entirely offset by corresponding changes in the hedging instruments, as well as the circumstance that, in the final balance, it made it possible to offset changes in the fair value or cash flows of the hedged item in a range from 80% to 125%;
- the effectiveness must be tested at each financial reporting date;
- in the case of hedging of a future transaction, the conclusion of the transaction must be highly probable;
- only those involving an external counterparty may be designated as hedging instruments.

Using only financial derivative contracts as hedging instruments, the Group exclusively envisages fair value hedges to hedge interest rate risk.

Measurement and recognition criteria for income components

Subsequent to initial recognition, hedging derivatives are measured at fair value.

The criteria for determining the fair value of financial instruments are described in section "A.4 - Information on fair value" of the Notes to the Financial Statements.

For fair value hedges, both changes in fair value relating to derivative contracts and changes in fair value relating to risks hedged relating to hedged items are recognised in the item "Net profit (loss) from hedging".

For cash flow hedges, accounting entries concern only derivative contracts: if the hedging relationship is fully effective, the change in the fair value of the derivative contract is recognised as a balancing entry to the changes in the "cash flow hedge" valuation reserve while, in the event of total or partial ineffectiveness, the portion of fair value referring to the ineffective component is charged to the income statement under the item" Net profit (loss) from trading".

Derecognition criteria

For fair value hedges, hedge accounting ceases prospectively in the following cases:

a) the hedging instrument expires, is sold, discontinued or exercised;
b) the hedge no longer meets the criteria envisaged for the accounting of the hedging transactions described above;
c) the company revokes the designation.

For cash flow hedges, hedge accounting ceases prospectively in the following cases:

a) the hedging instrument expires, is sold, discontinued or exercised. In this case, the overall gain or loss of the hedging instrument, recognised directly in equity from the period in which the hedge was effective, must remain separately recognised in equity until the planned transaction occurs;
b) the hedge no longer meets the criteria envisaged for the accounting of the hedging transactions described above. In this case, the overall gain or loss of the hedging instrument, recognised directly in equity from the period in which the hedge was effective, must remain separately recognised in equity until the planned transaction occurs;
c) it is expected that the planned transaction will no longer occur, in which case any related overall profit or loss on the hedging instrument that remains recognised directly in equity from the period in which the hedge was effective must be recognised in the income statement under the item "Net profit (loss) from trading";
d) the designation is revoked. For hedging of planned transactions, the overall gain or loss of the hedging instrument recognised directly in equity from the period in which the hedge was effective remains separately recognised in equity until the planned transaction occurs or when it is no longer

expected it will take place; If it is expected that the transaction will no longer occur, the overall profit or loss that had been recognised directly in equity must be recognised in the income statement under the item "Net profit (loss) from trading".

10 - Equity investments

Recognition criteria

The initial recognition of equity investments takes place on the settlement date. Upon initial recognition, the assets are recognised at cost.

Classification criteria

The item includes equity investments held in associates or companies subject to joint control. Associates are companies in which the Group holds at least 20% of the voting rights or companies in which specific legal ties lead to their being subject to significant influence; companies subject to joint control are companies for which contractual, shareholder or other agreements determine joint management and the appointment of directors.

Measurement and recognition criteria for income components

Subsequent to their initial recognition, equity investments are measured using the equity method.

If there is evidence that the value of an equity investment may have been impaired, the recoverable amount of the equity investment is estimated, taking into account the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment and/or other measurement elements (for example the pro-rata equity ratio).

The amount of any impairment, determined on the basis of the difference between the carrying amount of the equity investment and its recoverable amount, is recognised in the income statement under the item "gains (losses) on equity investments".

If the reasons for the impairment cease to apply as a result of an event occurring after the recognition of the impairment, a reversal of the impairment loss is recognised in the same item of the income statement, up to the amount of the previous adjustment.

The pro-rata results for the year of associates and companies subject to joint control are recognised in the income statement under item 250. "Gains (losses) on equity investments".

Derecognition criteria

Equity investments are derecognised when the contractual rights on the cash flows deriving from the same assets expire or when the asset is sold transferring all the risks and benefits related to it.

11 - Property, plant and equipment

Recognition criteria

Property, plant and equipment are initially recognised at cost, which is equal to the purchase price increased by any charges attributable to the purchase and to the commissioning of the asset. Extraordinary maintenance costs that involve an increase in future economic benefits are recognised as an increase in the value of the assets, while ordinary maintenance costs are recognised in the income statement.

Classification criteria

Property, plant and equipment include land, operating properties, investment property, plant, furniture, furnishings, equipment of any type and, starting from 1 January 2019, rights of use on assets acquired under leases pursuant to the provisions of IFRS 16.

In particular, this item includes both property, plant and equipment used for the Group's operations, i.e., acquired for the provision of services or for administrative purposes, and those (buildings) held for investment purposes, i.e., acquired to earn rentals and/or held for capital appreciation.

This item also includes the costs incurred for the renovation of third-party assets, as for the duration of the lease contract the user company has control over the assets and draws from them future economic benefits.

Measurement and recognition criteria for income components

After initial recognition, property, plant and equipment are measured:

- at cost, less any depreciation and impairment losses, as regards property, plant and equipment used for the Group's operations other than properties. Fixed assets are depreciated over their useful life, using the straight-line method, with the exception of works of art which, as they have an indefinite useful life, cannot be depreciated.
- at fair value, with adjustment at the end of each reporting period and recognition of the differential in the income statement, as regards properties under property, plant and equipment held for investment purposes. The fair value is determined on the basis of appraisals prepared at least annually by a qualified third party, chosen from among the leading companies in the sector.
- at fair value, starting from 2014, as regards the properties used for the Group's operations, adopting the Revaluation Model system provided for by IAS 16 instead of the Cost Model previously adopted. The application of this method involves the recognition of the properties at a value equal to their fair value, netted in subsequent years of the effects of the depreciation of said value, with the exclusion of that relating to land separated from the value of the building, presenting indefinite useful life. The unbundling of these values takes place only for buildings "free-standing". IAS 16 requires that the frequency of revaluations depends on fluctuations in the fair value of the revalued property, plant and equipment. When the fair value of the revalued asset differs materially from its carrying amount, a further revaluation is required. Frequent revaluations are not required for property, plant and equipment that have only insignificant fluctuations in their fair value. It may then only be necessary to reassess the asset every three to five years.

With regard to property, plant and equipment measured at cost, at each balance sheet or interim report date, if there is evidence of impairment, the recoverable amount is estimated, being the higher of the asset's fair value less costs to sell and its value in use, i.e. discounting the future cash flows that can be generated by the asset. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement.

If the reasons for the impairment cease to apply as a result of subsequent events, reversals are made and charged to the income statement, up to the value of the net asset if no adjustments are made.

Derecognition criteria

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

12 - Intangible assets

Recognition criteria

The intangible asset is recorded at cost, adjusted for any accessory charges, only if there is a likelihood that future economic benefits attributable to the asset will be realised and if the cost of the asset can be reliably determined.

Classification criteria

Intangible assets are represented by application software for long-term use and goodwill represented by the positive difference between the purchase cost and the fair value of the assets and liabilities acquired as part of Business Combinations.

Measurement and recognition criteria for income components

The cost of intangible assets with a finite useful life, after initial recognition, is amortised on a straight-line basis over their useful life, which is subject to measurement at the end of each year to verify the adequacy of the estimate.

At each balance sheet or interim report date, if there is evidence of impairment of an intangible asset, its recoverable amount is estimated by discounting the future cash flows that can be generated by the asset. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement.

Intangible assets with an indefinite useful life include goodwill, which is the positive difference between the consideration paid for a business combination and the fair value of the identifiable net assets acquired, as more fully described in paragraph "18 – Other information – Business combinations, goodwill and changes in shareholdings".

Goodwill is not subject to amortisation, but to periodic verification of the adequacy of the carrying amount.

In particular, every time there is evidence of impairment and in any case at least once a year, an impairment test is performed. To this end, the cash-generating unit to which the goodwill is allocated is identified. The amount of any impairment loss is determined on the basis of the difference between the carrying amount of the goodwill and its recoverable amount, if lower. The recoverable amount is the higher of the fair value of the cash-generating unit, net of any costs to sell, and its value in use. The value in use is the present value of the future cash flows expected from the generating units to which the goodwill has been allocated. The resulting impairment losses are recognised in the income statement. No subsequent reversals of impairment losses may be recognised.

Derecognition criteria

An intangible asset is derecognised at the time of its disposal and if no future economic benefits are expected.

13 - Non-current assets and groups of assets held for sale and liabilities associated to assets held for sale

Recognition criteria

The individual assets and groups of assets held for sale pursuant to IFRS 5 and the related associated liabilities are classified under "Non-current assets and groups of assets held for sale" and "Liabilities associated with assets held for sale" if their carrying amount will be recovered mainly through a sale transaction, rather than through their continuous use.

Classification under these items concerns situations where a process of disposal of individual assets or groups of assets in their current conditions has been initiated and if their sale is considered highly probable as the Management is committed to the sale, whose completion should be expected within one year from the date of classification.

Measurement and recognition criteria for income components

Immediately before the classification of the individual assets or groups of assets and liabilities held for sale under the items "Non-current assets and groups of assets held for sale" and "Liabilities associated with assets held for sale", the carrying amount of assets and liabilities is remeasured by applying the reference accounting standards.

These assets and liabilities are measured at the lower of the carrying amount and the fair value net of costs to sell.

For the purposes of the subsequent measurement of a group of assets and liabilities held for sale, the carrying amount of each asset and liability included in the group that does not fall within the scope of application of IFRS 5 must be measured by applying the reference accounting standard before the group is measured at the lower of the carrying amount and the fair value net of costs to sell.

Property, plant and equipment and intangible assets held for sale are no longer subject to depreciation/amortisation.

The subsequent measurement of non-current assets and groups of assets held for sale is carried out according to the following criteria:

- any excess of the carrying amount with respect to the fair value net of costs to sell is charged to the income statement (impairment loss);
- each subsequent increase in the fair value net of costs to sell is charged to the income statement up to the amount of the accumulated impairment recorded previously.

The separate disclosure in the item "Profit (loss) from discontinued operations after tax" of the income statement is envisaged only for income and charges (net of the related taxes) relating to discontinued operations.

Derecognition criteria

The individual assets and groups of assets held for sale and the related associated liabilities are derecognised following their disposal.

14 - Current and deferred taxation

The effects relating to current and deferred taxes are recognised by applying the tax rates in force, respectively, in the current and subsequent tax periods.

Income taxes are recognised in the income statement with the exception of those relating to items charged or credited directly to equity.

The allocation for income taxes is determined on the basis of a prudential forecast of the current tax charge, the advance tax charge and the deferred tax charge. In particular, deferred tax assets and liabilities are determined on the basis of temporary differences, without time limits, between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.

Deferred tax assets are recognised to the extent that their recovery is probable, based on the ability to generate positive taxable income on an ongoing basis.

Deferred tax liabilities are in turn recognised in the financial statements. It should be noted that with regard to untaxed reserves and revaluation surpluses, no provision is made for the related deferred taxes, in accordance with the provisions of IAS 12, paragraph 52b, which makes the allocation of deferred tax liabilities on untaxed reserves subject to the decision to distribute them (with the exception of the "Merger surplus reserve" set up when Credito Fondiario di Bolzano S.p.A. was merged). In this regard, it should be noted that the Group neither assumes nor does it deem it likely that in the short/medium term it will assume behaviours that could integrate the prerequisites for the payment of taxes in relation to distributions of reserves as per the previous paragraph.

Prepaid and deferred taxes are accounted for on an open balance sheet basis and without offsetting, with the former included under "Tax assets" and the latter under "Tax liabilities".

Tax liabilities are also adjusted to meet charges that could result from notified assessments or on-going disputes with the tax authorities.

15 - Provisions for risks and charges

Following the 5th update of Circular no. 262 of 22 December 2005 of the Bank of Italy, in consideration of the provisions of IFRS 9, the sub-item relating to commitments and guarantees issued, which in the previous version was allocated to Other liabilities, was also included in the item "Provisions for risks and charges".

Commitments and guarantees issued

This provision consists of write-downs on endorsement loans. Provisions on these forms of financing are calculated as from 1 January 2018 on the basis of the provisions of IFRS 9, therefore applying the same staging criteria as for cash loans and related PDs and LGDs.

Pension fund and similar obligations

The fund consists of a defined benefit section (Section A/A1) which provides a supplementary benefit to retired staff in addition to the gross benefits paid by INPS; the economic benefits due to members of this fund are assessed on the basis of an independent actuarial valuation in order to determine the technical provisions to be set aside to cover future pension benefits.

On a half-yearly basis, the actuarial study provides an estimate of the interest cost of the liability, the expected return on investments and, if necessary, the value of the allocation to the provision for personnel still in service (service cost), the costs and revenues of which are recognised in the income statement. The difference between the expected return on the portfolio and the actual return is recorded directly in the Shareholders' Equity as a reduction or increase in retained earnings. The actuarial study also provides the values relating to changes in actuarial gains and losses used to determine future pension benefits. These changes are recorded directly in the Shareholders' Equity under retained earnings.

As provided for in IAS 1, the effects of the adjustment recorded under equity reserves are reported in a separate statement of changes in Shareholders' Equity (statement of comprehensive income), or in a format that summarises those income components which, in application of a particular international accounting standard, are recognised directly under equity reserves.

Other provisions

Other provisions for risks and charges are allocations against liabilities:

- arising from existing obligations (legal or implicit) of the company;
- the settlement of which will involve the use of economic resources by the company;
- whose value can be reliably measured;
- the amount or timing of which is uncertain.

"Other provisions" also include other long-term benefits and long-term employee redundancy incentives recognised to employees.

Provisions relating to other long-term employee benefits are the benefits paid during the employment relationship that are not due in full within the twelve months following the end of the year in which the employees worked and are determined with the same actuarial criteria envisaged for pension funds, immediately recognising also actuarial gains and losses in the income statement.

Employment redundancy incentives are recognised when the company is unable to withdraw the offer of benefits; the liability is recognised before that date if the charges are classified as costs for restructuring transactions falling within the scope of application of IAS 37.

For the initial and subsequent recognition of redundancy incentives, provisions are applied relating to:

- "post-employment benefits", if the benefits due on termination of the employment relationship are an improvement in post-employment benefits;
- "short-term benefits", to be recognised on an accrual basis in the period the working activity is carried out, if it is expected that the benefits will be fully recognised within the twelve months following the end of the year in which these benefits are recorded;
- "other long-term benefits", if it is expected that the benefits will not be fully recognised within the twelve months following the end of the year in which these benefits are recorded.

The value of the loss of economic resources must be discounted, if the time element of the financial settlement is significant; interest expense arising from the discounting process is recognised in the income statement.

Allocations to provisions are recognised under "Net allocations to provisions for risks and charges" in the income statement; an exception is made for the economic components relating to employee benefits which, to better reflect their nature, are shown under the item "Administrative expenses - Personnel expenses".

16 - Foreign currency transactions

Recognition criteria

Foreign currency transactions are recorded on initial recognition by applying the exchange rate prevailing on the date of the transaction to the foreign currency amount.

Measurement and recognition criteria for income components

At the end of each year, items in foreign currency are valued as follows:

- monetary items are converted at the exchange rate on the closing date;
- non-monetary items measured at historical cost are converted at the exchange rate in force on the date of the transaction;
- non-monetary items measured at fair value are converted using the exchange rates in force at the closing date.

17 - Insurance assets and liabilities

The Group does not manage insurance assets and liabilities.

18 - Other information

Treasury shares

Any treasury shares held or for which there is a purchase commitment are deducted from shareholders' equity.
No gain or loss is recognised in profit or loss on the purchase/sale/issue or derecognition of equity instruments.
The consideration paid or received is recognised in the shareholders' equity.

Employee severance indemnity

The employee severance indemnity and the length of service bonus are recognised on the basis of their actuarial value determined annually.

Recognition of revenues and costs

Revenues are recognised when received or when it is considered probable that the benefits will be received and said benefits can be reliably quantified.

In particular:

- interest on late payments is recognised in the income statement when it is collected;
- dividends are recognised in the income statement in the year in which their distribution is approved;
- commissions are recognised on an accrual basis, except for those considered in amortised cost for the purpose of determining the "effective interest rate", which are recognised under interest;
- administrative costs and expenses are recognised on an accrual basis.

Interest on TLTRO III transactions

The characteristics of the TLTRO-III transactions are such that they cannot be immediately traced back to cases specifically dealt with by the IAS/IFRS standards; to identify the accounting treatment, in particular, of the following situations:

- change in target achievement estimates;
- recording of economic effects, "special interest" in particular,
- early repayments management,
- in fact, it is deemed possible to refer by analogy to "IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance" or "IFRS 9 - Financial Instruments".

The choice adopted by the Cassa di Risparmio di Bolzano Group for the purposes of accounting for the transactions in question is to refer to the indications of IFRS 9. The financial liability is therefore recognised at amortised cost, with economic accruals recognised at a variable rate, on the basis of which the restatement of future interest payments normally has no significant effect on the carrying amount of the asset or liability. The liability variable rate is a rate that varies in each year of the transaction, resulting in the recognition of the interest on a year-by-year basis, taking into account that in the event of a prepayment, the interest on the fees already accrued would be paid.

Methods for determining the fair value of assets and liabilities

Fair value is defined by IFRS 13 as the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a regular course of business in the principal (or most advantageous) market at the measurement date, under current market conditions (i.e. a closing price), irrespective of whether that price is observable directly or estimated using a valuation technique.

1. Assets and liabilities measured at fair value through profit or loss:

    - financial assets held for trading: to determine the fair value of debt and equity securities listed (contributed) in an active market (level 1), the market prices of the last day of the reference year are used. In the absence of an active market (level 2), estimation and valuation methods based on market data and usually accepted in financial practice are used. These include: calculations of discounted cash flows, values recognised in recent transactions, valuations of listed instruments with similar characteristics and fund NAV. To determine the fair value of derivative contracts, estimation methods and valuation models are used, such as the discounting of expected cash flows, through an internal valuation method carried out by the Risk Management Service;

    - financial assets measured at fair value: assets are measured at fair value, determined on the basis of the same criteria described for financial assets held for trading;

    - other financial assets mandatorily measured at fair value: the assets are measured at fair value, determined on the basis of the same criteria illustrated for financial assets held for trading.

2. Hedging derivatives: contracts are valued using the same criteria used for the valuation of contracts recorded under assets held for trading.

3. Financial liabilities measured at fair value: fair value is measured using valuation methods based on market data and usually accepted in financial practice are used. These include: calculations of discounted cash flows, values recognised in recent transactions, valuations of listed instruments with similar characteristics.

4. Property, plant and equipment held for investment purposes: the fair value measurement is carried out on the basis of appraisals prepared at least once a year by a qualified third party chosen from among the leading companies in the sector, as detailed in the following Part B, section 9.4 of Assets.
5. Property, plant and equipment held for business use: the fair value measurement is carried out on the basis of appraisals prepared by a qualified third party chosen from among the leading companies in the sector as described in more detail in the following Part B, sections 9.1 and 9.3 of Assets; the valuation is carried out with sufficient regularity to ensure that the carrying amount does not differ significantly from the value that would be determined using the fair value at the reporting date.
6. Assets and liabilities measured at fair value through other comprehensive income: assets are measured at fair value, determined on the basis of the same criteria described for financial assets held for trading. For equity securities where it is not possible to determine the fair value reliably, the cost is maintained (level 3).
7. Assets and liabilities recognised at cost or amortised cost for which fair value is disclosed in the Notes to the financial statements:
   - asset and liability relations with customers and banks on demand, or with short-term or indefinite maturity: the fair value is equal to the carrying amount net of the analytical or collective write-down;
   - medium/long-term asset and liability relations with customers and banks: the fair value is determined by discounting future cash flows;
   - securities issued: for listed/contributed liabilities, the fair value is determined using the market prices of the last day of the reference year. For the remaining liabilities, the same methodology as described for financial liabilities measured at fair value is used.

Business combinations, goodwill and changes in shareholdings

A business combination may involve the purchase of the net assets of another entity, including any goodwill, or the purchase of the equity of another entity (mergers, contributions, and acquisitions of business units). Such a combination does not result in an ownership relationship similar to that between a parent and a subsidiary and, therefore, IFRS 3 applies in such cases even in the separate financial statements of the acquirer.

Business combinations are accounted for using the purchase method, whereby the identifiable assets acquired and liabilities assumed, including contingent assets/liabilities, are recognised at their fair values at the acquisition date.

Any excess of the consideration transferred with respect to the fair value of the identifiable net assets is recognised as goodwill and is allocated, at the acquisition date, to the individual cash-generating units, or to groups of cash-generating units that should benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquiree are assigned to these units or groups of units.

If the transfer consideration is lower than the fair value of the identifiable net assets, the difference is recognised immediately in the income statement as revenue under the item "Other operating income", after a new measurement to ensure that all assets acquired and liabilities assumed are correctly identified.

Changes to the consideration transferred are possible if they derive from additional information on facts and circumstances that existed at the acquisition date and are recognisable within the measurement period of the business combination (i.e. within twelve months of the acquisition date). Any other change that derives from events or circumstances subsequent to the acquisition, such as those recognised in the seller's favour linked to the achievement of some income performances, shall be recognised in the income statement.

The identification of the fair value of assets and liabilities must be finalised within a maximum period of twelve months from the acquisition date (measurement period).

A.3 - Information on transfers between portfolios of financial assets

This section shows the financial assets that have been reclassified. Specifically, the tables represent respectively i) the information relating to the change in the business model resolved by the Parent Bank with effect from 1 January 2019, with which financial assets were reclassified from a "held to collect and sell" to a "held to collect" business model; ii) information relating to the reclassification of financial assets carried out by the Parent Bank in 2008, the year in which, following the crisis that occurred on the international financial markets, the International Accounting Standards Board (IASB) published an amendment to the international accounting standards IAS 39 and IFRS 7 allowing the reclassification of some financial instruments from the trading book to other portfolios. This reclassification is permitted only in "rare" circumstances that correspond, for example, to the situation of the financial markets that emerged during the third quarter of 2008.

In light of the extraordinary market situation, the fact that the quantified impairment losses were mainly related to market tensions and not to the evident and permanent deterioration of the creditworthiness of the counterparties, and the general orientation of the banking system towards the adoption of this amendment, the Parent Bank has adopted it and reclassified portions of its financial instruments from the "financial assets held for trading" portfolio to the "financial assets available for sale" portfolio as of 29 October 2008.

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

Type of financial instrument (1)	Origin portfolio (2)	Target portfolio (3)	Fair value at 31/12/2023 (4)	Capital gains/losses in the absence of transfer to the income statement (pre-tax)		Gains/losses in the absence of the transfer in equity (pre-tax)	
				31/12/2023 (5)	31/12/2022 (6)	31/12/2023 (7)	31/12/2022 (8)
Government bonds	Fair value through Other comprehensive income (HTCS)	Amortised cost (HTC)	21,787	-	-	1,862	(2,542)
Other debt securities	Fair value through Other comprehensive income (HTCS)	Amortised cost (HTC)	7,247	-	-	(197)	(447)
Total			29,034	-	-	1,665	(2,989)

Quantitative information from the 2008 reclassification is provided below.

Type of financial instrument (1)	Origin portfolio (2)	Target portfolio (3)	Fair value at 31/12/2023 (4)	Capital gains/losses in the absence of transfer to the income statement (pre-tax)		Gains/losses in the absence of the transfer in equity (pre-tax)	
				31/12/2023 (5)	31/12/2022 (6)	31/12/2023 (7)	31/12/2022 (8)
UCITS units	Fair value through profit or loss	Available for sale	282	(58)	10	-	-

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

With reference to the change in the business model carried out by the Bank with effect from 1 January 2019, at 31 December 2023 the fair value of the reclassified securities was equal to Euro 29,034 thousand. At that date, the average internal rate of return was 6.78% and the expected cash flows from 31.12.2023 to maturity amounted to Euro 482 thousand.

By contrast, with reference to the reclassification of financial assets carried out in 2008, at 31 December 2023, the fair value of the reclassified securities was equal to Euro 282 thousand before taxes. At that date, the average internal rate of return, in the absence of debt securities with coupon flows, was not determined, and the expected cash flows are zero.

A.4 – Information on fair value

Qualitative information

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

The Group assigns the highest priority to prices recorded on active regulated markets (Fair value level 1).

If directly observable prices on active markets are not available, valuation techniques are used that maximise the use of information available on the market and are affected as little as possible by subjective valuations or internal assumptions. The valuation techniques and inputs used for the various types of financial instruments measured/not measured at fair value on a recurring basis are described below.

For the determination of the fair value of debt securities not listed in an active market or that are not available on info providers in the context of electronic trading circuits and are visible as operating quotations of individual contributors to which one has immediate access, the Group makes use, where available, of prices observed on non-active markets and/or recent transactions carried out on similar instruments in active markets (so-called comparable approach). By way of example, price indications obtainable from info providers such as Bloomberg and Reuters are taken into consideration, or failing that, by using valuations provided by Issuers, contributors or institutional counterparties specialised in dealing in the financial instruments being valued. The fair value thus determined is assigned to level 2 of the Fair Value Hierarchy.

If no information source as described above is available or if it is believed that the available sources do not reflect the true fair value of the financial instrument, a model valuation approach is used, which mainly uses inputs observable on the market to estimate the possible factors that affect the fair value of a financial instrument. The fair value thus determined is also assumed to be level 2 of the Fair Value Hierarchy. If for one or more risk factors it is not possible to refer to market inputs, internally determined parameters are used on a historical-statistical basis which, where significant, entail the assignment of a level 3 of the Fair Value Hierarchy.

To determine the fair value of an equity security not listed in an active market, the Bank uses:

- an approach based on financial and/or income methodology depending on the company analysed and the data available. For the banking companies, an income/balance sheet scenario is reconstructed with a contextual comparison between forecast CET1 values and target CET1 values. This approach allows for the quantification of dividend distribution in order to obtain a Dividend Discount Model. For non-bank companies, a financial approach is used with both asset side and equity side valuations. Finally, particular cases or situations with contingent market variables are valued based on stock market multipliers or on a "Gordon-model" basis, assuming a normalised and constant income scenario over the long term;
- the value corresponding to the portion of shareholders' equity held, as shown in the company's latest approved financial statements.
- the prices of direct transactions in the same or similar securities observed over a reasonable period of time from the valuation date;
- the value resulting from independent appraisals if available.

The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

In the presence of a fair value that cannot be reliably determined, the cost is maintained as the carrying amount; this case occurs if the results of the valuation differ significantly.

To determine the fair value of UCITS units not listed in an active market, the Group uses the NAV communicated by the Management Company without making any adjustments. An exception to this criterion is the valuation of the Augusto closed-end real estate fund, now close to maturity, for which the Parent Bank has applied a liquidity discount of 20% on the NAV value of the last available management report.

Investments in UCITS, whose NAV is updated and published periodically (at least every six months) and is representative of the amount at which the position can be partially or fully liquidated at the initiative of the holder, are classified in level 2 of the Fair Value Hierarchy. A similar classification is also used for capitalisation certificates held and valued on the basis of the redemption value communicated by the issuer, coinciding with the amount of the "mathematical reserve" certified year by year.

For the valuation of the bonds issued by the Bank, specific valuation models of the Discounting Cash Flow type are used, which envisage the discounting of expected cash flows through the use of a discount curve.

In application of the provisions of IFRS 13, financial liabilities at fair value are measured considering their own credit risk, through the income statement. This accounting treatment remains valid even after the entry into force of IFRS 9, according to which the changes in fair value attributable to credit risk are generally recognised in a special valuation reserve (other comprehensive income*).* This is because the same standard identifies an exception to this accounting criterion, where this involves the creation or expansion of an accounting asymmetry in the recognition of the fair value delta of the liability and those of the relative derivative.

This valuation technique (fair value level 2) is consistent with the quantification of the initial fair value of the obligation, which is always recognised in the financial statements at the amount received for the transfer of the liability.

To determine the fair value of over the counter (OTC) derivative contracts, valuation techniques are used that predominantly use significant inputs, based on observable market parameters (Interest rate curves, Volatilities, Credit curves, Spot price, etc.) which are aseptically obtained from the Reuters info-provider.

For short-term "Loans to banks" and "Due to banks" (maturing within 12 months), the carrying amount is conventionally assumed as fair value, while medium/long-term amounts are measured according to the methodology of discounting the cash flows provided for in the contract, through the use of risk-free curves, if necessary, corrected to take into account the credit risk of the counterparty or own. The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

For short-term "Loans to customers" (falling due within 12 months), the fair value is conventionally assumed to be the carrying amount. The measurement of medium/long-term loans corresponds to the amount of the contractually expected future cash flows, including interest, discounted on the basis of the risk-free rate curve. The expected nominal future cash flows are adjusted for expected losses using the probability of default (PD) and loss given default (LGD) parameters attributed to the specific risk class and determined in accordance with IFRS 9 - Impairment, i.e. with a forward-looking perspective, therefore modified in substance compared to the previous historical-statistical analysis. The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

For short-term "Due to customers" (falling due within 12 months), the fair value is conventionally assumed to be the carrying amount. Medium- and long-term liabilities other than bonds issued as described above are valued on the basis of the discounted cash flow method of the contractually expected cash flows, adjusted if necessary to take into account their credit risk. The fair value thus determined is assigned to level 3 of the Fair Value Hierarchy.

A.4.2 Evaluation processes and sensitivity

On the basis of the above, the financial instruments measured at fair value on a recurring basis and classified in level 3 of the hierarchy provided for in IFRS 13 refer exclusively to some equity investments of an insignificant amount. Sensitivity analyses are carried out on those financial assets and liabilities measured at level 3 fair value for which, based on the measurement model used to determine the fair value, execution is possible.

A.4.3 Fair value hierarchy

The methods for determining the fair value for the various types of financial instruments are the same as those used in previous years and did not give rise to any transfers between the different levels of the fair value hierarchy provided for in IFRS 13.

A.4.4 Other information

There is no other information worthy of mention.

A.4 – Information on fair value

Quantitative disclosure

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Financial assets/liabilities measured at fair value	31/12/2023			31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets measured at fair value through profit or loss	107,989	80,793	3,701	98,120	63,633	21,099
a) financial assets held for trading	47,450	1,161	-	40,954	2,937	1,850
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	60,539	79,632	3,701	57,166	60,696	19,249
2. Financial assets measured at fair value through other comprehensive income	274,414	10,669	31,329	321,427	686	47,811
3. Hedging derivatives	-	37,825	-	-	60,530	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	382,403	129,287	35,030	419,547	124,849	68,910
1. Financial liabilities held for trading	-	431	-	-	933	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	24,566	-	-	-	-
Total	-	24,997	-	-	933	-

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	21,099	-	-	21,099	47,811	-	-	-
2. Increases	2,024	2	-	2,022	20,400	-	-	-
2.1. Purchases	2,013	2	-	2,011	20,052	-	-	-
2.2. Profits attributed to:	-	-	-	-	303	-	-	-
2.2.1. Income Statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2. Shareholders' Equity	-	X	X	X	303	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	11	-	-	11	45	-	-	-
3. Decreases	(19,354)	-	-	(19,354)	(36,881)	-	-	-
3.1. Sales	(330)	-	-	(330)	(36,549)	-	-	-
3.2. Refunds	-	-	-	-	-	-	-	-
3.3. Losses attributed to:	(90)	-	-	(90)	-	-	-	-
3.3.1. Income Statement	(90)	-	-	(90)	-	-	-	-
- of which capital losses	(90)	-	-	(90)	-	-	-	-
3.3.2. Equity	-	-	-	-	-	-	-	-
3.4. Transfers to other levels	(18,929)	-	-	(18,929)	-	-	-	-
3.5. Other decreases	(5)	-	-	(5)	(332)	-	-	-
4. Closing balance	3,769	2	-	3,767	31,330	-	-	-

This table shows the changes that took place in the financial year 2023 on financial assets classified at level 3 of the fair value hierarchy; it also includes some minority interests in unlisted companies.

The main annual changes include:

- the transfer of the investment in Mediocredito Trentino Alto Adige, with impact on shareholders' equity, whose carrying amount was already adjusted in the previous year to the realisable value as per the irrevocable purchase offer dated 25 February 2022 received by the Bank from Cassa Centrale Raiffeisen, for an amount of Euro 11,077 thousand;
- the total write-down of the equity investment in Hope S.p.A. represented here in the column of financial assets mandatorily measured at fair value, due to the company's placement in liquidation on 7 April 2023, for an amount of Euro 90 thousand.

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	31/12/2023				31/12/2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortised cost	14,474,512	4,575,307	114,869	9,922,361	14,733,463	4,414,358	51,108	10,208,365
2. Property, plant and equipment held for investment purposes	-	-	-	-	-	-	-	-
3. Non-current assets and groups of assets held for sale	1,088	-	-	130	1,016	-	-	1,016
Total	14,475,600	4,575,307	114,869	9,922,491	14,734,479	4,414,358	51,108	10,209,381
1. Financial liabilities measured at amortised cost	15,511,428	-	-	15,126,307	15,871,335	27,029	97,711	15,755,188
2. Liabilities associated with assets held for sale	503	-	-	-	1,474	-	-	-
Total	15,511,931	-	420,619	15,126,307	15,872,810	27,029	97,711	15,755,188

A.5 – Information on “Day one profit/loss”

According to IFRS 7, paragraph 28, evidence must be provided of the amount of the "Day One Profit or Loss" to be recognised in the income statement at 31 December 2023, as well as a reconciliation to the opening balance. "Day One Profit or Loss" is the difference between the fair value of a financial instrument acquired or issued at initial recognition (transaction price) and the amount determined at that date using a valuation technique. In this regard, it should be noted that there are no cases that should be disclosed in this section.

Part B
Information on the Consolidated Balance Sheet

Part B - Information on the Consolidated Balance Sheet

Assets

Section 1 - Cash and cash equivalents - item 10

1.1 Cash and cash equivalents: breakdown

	Total 31/12/2023	Total 31/12/2022
a) Cash	64,011	67,198
b) Current accounts and demand deposits with central banks	835,000	1,024,427
c) Current accounts and demand deposits with banks	62,381	75,972
Total	961,392	1,167,597

The item "Cash" includes the amounts of cash in euro and in other currencies held by Cassa Centrale, the cash of the branches and the ATMs at the reference dates.

Effective from 31 December 2021, following the seventh update of Bank of Italy Circular no. 262 "The bank financial statements: formats and rules for preparation", the item "Cash and cash equivalents" also includes demand deposits with banks. This update has brought the presentation of the financial statements more in line with FINREP reporting.

The value shown in point "b) Current accounts and demand deposits with Central Banks" refers to the deposit facility account opened at the Bank of Italy, which essentially includes overnight transactions. The amount pertaining to the Parent Bank amounts to Euro 730.0 million, the remainder corresponds to the same type of deposit of the subsidiary CiviBank.

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

2.1 Financial assets held for trading: breakdown by type

Items/Values	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
A. On-balance sheet assets						
1. Debt securities	40,679	-	1	23,961	1	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	40,679	-	1	23,961	1	-
2. Equity securities	18	-	-	23	-	1,850
3. UCITS units	6,753	-	-	16,129	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	47,451	-	1	40,113	1	1,850
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	-	1,160	-	841	2,936	-
1.1 trading	-	1,160	-	841	2,936	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	-	1,160	-	841	2,936	-
Total (A+B)	47,451	1,160	1	40,954	2,937	1,850

The total of "Financial assets held for trading" records a slight increase of Euro +2,870 thousand compared to the previous year's figures.

The investments of the Retired Staff Pension Fund A-A1 of the Parent Bank included under the same on-balance sheet assets amounted to Euro 41.0 million (of which Euro 6.8 million in units of UCITS).

The amount shown in line B1.1 "Financial derivatives - held for trading" represents the positive fair value of the part no longer effective of previous derivatives designated as hedges on a cap option on variable rate mortgages with a maximum ceiling. Following the increase in interest rates, recorded near the end of the previous year and at the beginning of 2023, these derivatives showed positive fair values, as the cap option returned to be “in the money”.

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

Items/Values	Total 31/12/2023	Total 31/12/2022
A. On-balance sheet assets		
1. Debt securities	40,679	23,962
a) Central Banks	-	-
b) Public administrations	38,694	20,671
c) Banks	201	1,354
d) Other financial companies	395	103
of which: insurance companies	100	98
e) Non-financial companies	1,391	1,834
2. Equity securities	18	1,873
a) Banks	-	-
b) Other financial companies	18	23
of which: insurance companies	-	-
c) Non-financial companies	-	1,850
d) Other issuers	-	-
3. UCITS units	6,753	16,129
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	47,452	41,964
B. Derivative instruments		
a) Central Counterparties	-	-
b) Other	1,160	3,778
Total (B)	1,160	3,778
Total (A+B)	48,612	45,742

The categories of funds included in the item "UCITS units" are as follows and for the following values:

- Balanced	6,753
Total	6,753

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

Items/Values	Total 31/12/2023			Total 31/12/2022		
Items/Values	L1	L2	L3	L1	L2	L3
1. Debt securities	3,675	1,780	67	3,683	2,307	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	3,675	1,780	67	3,683	2,307	-
2. Equity securities	-	-	1,850	-	-	90
3. UCITS units	56,864	77,785	-	53,483	58,389	17,341
4. Loans	-	-	1,851	-	-	1,818
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	1,851	-	-	1,818
Total	60,539	79,565	3,768	57,166	60,696	19,249

The categories of funds included in the item "UCITS units" are as follows and for the following values:

- Bonds	74,124
- Flexible	1,929
- Equity	8,802
- Closed real estate	48,335
- Non-performing loans	1,459
Total	134,649

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

	Total 31/12/2023	Total 31/12/2022
1. Equity securities	1,850	90
of which: banks	-	-
of which: other financial companies	-	90
of which: non-financial companies	1,850	-
2. Debt securities	5,522	5,989
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	1,641	1,584
d) Other financial companies	3,881	4,405
of which: insurance companies	1,015	1,349
e) Non-financial companies	-	-
3. UCITS units	134,649	129,213
4. Loans	1,851	1,818
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	1,851	1,818
of which: insurance companies	1,851	1,800
e) Non-financial companies	-	-
f) Households	-	-
Total	143,872	137,110

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by type

Items/Values	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	272,461	9,682	-	309,330	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	272,461	9,682	-	309,330	-	-
2. Equity securities	1,953	987	31,329	12,097	686	47,811
3. Loans	-	-	-	-	-	-
Total	274,414	10,669	31,329	321,427	686	47,811

With reference to the grouping referred to in point 2. "Equity securities" of the previous table, details of the individual equity investments classified herein are provided; in contrast to the year ended 31 December 2022, in which other equity securities classified as "Equity OCI options" were added to the minority shareholdings, no securities other than the same minority shareholdings were recorded in the portfolio at the end of 2023.

Figures in euro

	Nominal amount	Percentage of capital	Carrying amount
Equity securities - Banks			**9,554,233**
Banca d'Italia - Roma	9,425,000	0.126	9,425,000
Banca Popolare di Puglia e Basilicata S.p.A. - Altamura (BA)	335,096	0.219	129,233
Equity securities - Other issuers: insurance companies			**2,500,000**
ITAS MUTUA Assicurazioni (TN)	5,000,000	2.090	2,500,000
Equity securities - Other issuers: non-financial companies			**4,905,681**
NEXI S.p.A. - Milano (ex SIA - SSB S.p.A.)	20,910	9.085	1,646,791
Bancomat SpA	4,370	0.021	-
CBI S.p.c.A.	6,016	0.654	-
VALIA SPA	30,000	5.000	30,000
SWIFT - Bruxelles	875	0.006	13,917
BZS Holding Gmbh - Innsbruck (A)	6,000	4.000	6,000
Funivie Madonna di Campiglio S.p.A. - Pinzolo (TN)	156,921	2.845	2,186,174
Funivie Folgarida e Marilleva S.p.A. az. Ord. - Dimaro (TN)	793,557	2.309	995,001
Teleriscaldamento Termo elettrico Dobbiaco/San Candido Scarl	20,141	0.410	25,513
Azienda Energetica Prato Scarl - Prato allo Stelvio	630	0.198	630
Cooperativa Acqua Potabile San Michele - Appiano	20	0.094	5
WuEgA - Wärme und Energie Genossenshaft Ahrntal	1,650	-	1,650
Total			**16,959,914**

With regard to the subsidiary CiviBank, the relative details are provided below:

Figures in Euro

	Nominal amount	Percentage of capital	Carrying amount
Equity securities - Banks			**4,688,777**
Dezelna Banka Slovenjie	952,627	5.362	2,764,783
Banca Valsabbina	316,071	0.304	969,284
Bank For Business	519,556	4.620	954,709
Equity securities - Other issuers: insurance companies			**5,000,000**
ITAS MUTUA Assicurazioni (TN)	5,000,000	2.090	5,000,000
Equity securities - Other issuers: non-financial companies			**7,615,832**
Friulia SpA	1,747,576	0.660	5,441,410
S.A.A.V. SPA	1,541,988	0.976	-
Unione Fiduciaria Spa	5,940	0.100	7,034
Catas S.P.A.	90,310	9.176	937,462
KB 1909 SPA	95,238	1.330	17,140
KB 1909 SPA PRIV B	125,645	-	3,478
Centro Formazione Professionale Scarl	20,910	9.100	598,472
Torre Natisone Gal	1,250	9.360	4,887
Consulting Spa	1,975	1.317	3,150
Agenzia Sviluppo Distretto Industriale Della Sedia Spa (Asdi)	20,067	8.027	2,500
Sipi Investimenti	29,700	2.970	-
S.W.I.F.T.	1,000	0.009	5,861
Luigi Luzzatti Spa	58,158	8.947	232,632
NEXI SPA	239	0.002	177,174
BANCOMAT SPA ADR	25,925	0.100	25,879
CBI AOR	-	0.337	3,100
FRIULIA AZ CORR ALFA	137,520	-	135,653
FOND AGRIFOOD & BIOE	20,000	8.000	20,000
Total			**17,304,608**

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

Items/Values	Total 31/12/2023	Total 31/12/2022
1. Debt securities	282,141	309,329
a) Central Banks	-	-
b) Public administrations	219,110	264,397
c) Banks	56,333	35,460
d) Other financial companies	1,277	5,162
of which: insurance companies	-	-
e) Non-financial companies	5,421	4,310
2. Equity securities	34,269	60,593
a) Banks	14,261	25,046
d) Other issuers:	20,008	35,547
- other financial companies	9,620	15,912
of which: insurance companies	7,500	13,745
- non-financial companies	10,368	19,615
- other	20	20
3. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	316,410	369,922

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

	Gross amount					Total value adjustments				Total partial write-offs
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities	282,249	282,249	175	-	-	(160)	(123)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	282,249	282,249	175	-	-	(160)	(123)	-	-	-
Total 31/12/2022	309,315	203,684	321	-	-	(165)	(141)	-	-	-

The table shows the total value adjustments on financial assets measured at fair value through other comprehensive income. The gross amount corresponds to the carrying amount of the financial assets, gross of total value adjustments and net of total write-offs.

Section 4 - Financial assets measured at amortised cost - item 40

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

Type of transactions/Values	Total 31/12/2023						Total 31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans to Central Banks	99,255	-	-	-	-	99,255	96,403	-	-	-	-	96,403
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserve	99,255	-	-	X	X	X	96,403	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans to banks	201,605	-	-	182,237	-	17,646	147,523	-	-	131,582	-	10,338
1. Loans	17,915	-	-	-	-	17,646	10,380	-	-	-	-	10,338
1.1 Current accounts	2,168	-	-	X	X	X	194	-	-	X	X	X
1.2. Term deposits	15,141	-	-	X	X	X	8,847	-	-	X	X	X
1.3. Other loans:	606	-	-	X	X	X	1,339	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	606	-	-	X	X	X	1,339	-	-	X	X	X
2. Debt securities	183,690	-	-	182,237	-	-	137,143	-	-	131,582	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	183,690	-	-	182,237	-	-	137,143	-	-	131,582	-	-
Total	300,860	-	-	182,237	-	116,901	243,926	-	-	131,582	-	106,741

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

Type of transactions/Values	Total 31/12/2023						Total 31/12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	9,479,988	158,975	30,376	-	-	9,804,819	9,794,696	144,145	52,377	-	-	10,155,777
1. Current accounts	690,460	10,403	3,367	X	X	X	699,122	16,939	6,513	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
3. Mortgages	6,984,918	116,874	23,203	X	X	X	7,155,058	103,599	41,543	X	X	X
4. Credit cards, personal loans and salary-backed loans	87,263	881	191	X	X	X	108,476	591	521	X	X	X
5. Lease financing	291,763	2,620	2,388	X	X	X	279,843	623	2,717	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	1,425,584	28,197	1,227	X	X	X	1,552,197	22,393	1,083	X	X	X
2. Debt securities	4,504,310	-	-	4,393,070	114,869	641	4,498,319	-	-	4,282,776	51,107	8,654
1. Structured securities	4,334	-	-	3,609	846	-	2,825	-	-	3,019	-	-
2. Other debt securities	4,499,976	-	-	4,389,461	114,023	641	4,495,494	-	-	4,279,757	51,107	8,654
Total	13,984,298	158,975	30,376	4,393,070	114,869	9,805,460	14,293,015	144,145	52,377	4,282,776	51,107	10,164,431

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

Type of transactions/Values	Total 31/12/2023			Total 31/12/2022		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	4,504,309	-	-	4,498,319	-	-
a) Public administrations	4,350,193	-	-	4,325,656	-	-
b) Other financial companies	193,579	-	-	156,956	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	(39,463)	-	-	15,707	-	-
2. Loans to:	9,479,994	158,975	30,375	9,794,695	144,147	52,376
a) Public administrations	44,249	-	-	49,306	-	-
b) Other financial companies	356,200	7,754	1,736	371,685	1,477	274
of which: insurance companies	126,665	-	-	101	-	-
c) Non-financial companies	5,142,683	113,229	17,797	5,286,281	112,217	34,860
d) Households	3,936,862	37,992	10,842	4,087,423	30,453	17,242
Total	13,984,303	158,975	30,375	14,293,014	144,147	52,376

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

		Gross amount					Total value adjustments				Total partial write-offs
		First stage	of which: Instruments with low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities		4,674,994	4,750,811	15,990	-	-	(2,126)	(859)	-	-	-
Loans		8,065,666	-	1,583,758	350,269	32,417	(13,626)	(38,637)	(191,292)	(2,041)	(33,060)
Total	31/12/2023	12,740,660	4,750,811	1,599,748	350,269	32,417	(15,752)	(39,496)	(191,292)	(2,041)	(33,060)
Total	31/12/2022	13,105,703	3,417,717	1,481,327	315,867	54,423	(15,902)	(34,185)	(171,721)	(2,048)	(54,371)

The following table shows the total value adjustments on financial assets measured at amortised cost. The gross amount corresponds to the carrying amount of the financial assets, gross of total value adjustments and net of total write-offs.

Set out below, in tabular form, is information on the gross value, total value adjustments broken down by risk stage and by "impaired acquired or originated" of loans outstanding at the reporting date that constitute new liquidity provided through public guarantee mechanisms issued against the COVID-19 scenario. These new loans include, inter alia, financial assets recognised as a result of forbearance measures that led to a refinancing with derecognition of the original asset and the recognition of a new loan, or a restructuring of several debts with the recording of a new loan in the financial statements.

Item	gross amount						value adjustments					
		non-impaired			impaired			non-impaired			impaired	
			of which: exposures subject to forbearance measures	of which: stage 2		of which: exposures subject to forbearance measures			of which: exposures subject to forbearance measures	of which: stage 2		of which: exposures subject to forbearance measures
New loans provided through public guarantee mechanisms - Covid-19	631,127	610,890	14,358	136,327	20,238	2,789	(6,814)	(934)	(101)	(560)	(5,880)	(977)

Section 5 - Hedging derivatives - item 50

5.1 Hedging derivatives: breakdown by type of hedge and by level

	Fair value 31/12/2023			NV NV 31/12/2023	Fair value 31/12/2022			NV NV 31/12/2022
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value	-	37,825	-	472,454	-	60,530	-	440,453
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives								
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	37,825	-	472,454	-	60,530	-	440,453

For a description of these transactions, see table 5.2 below.

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

Transactions/Type of hedge	Fair value							Cash flows		Foreign investments
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity securities and equity indices	currencies and gold	credit	goods	other	00/01/1900	00/01/1900	00/01/1900	
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	37,825	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total Assets	-	-	-	-	-	-	37,825	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total Liabilities	-	-	-	-	-	-	-	-	-	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

The carrying amount of the derivatives shown in this table refers to the positive fair value of derivatives hedging a number of fixed-rate mortgage portfolios for which the Group has hedged the interest rate risk through Interest Rate Swaps, converting it to a floating rate.

It should be noted that the fair values of derivatives designated to hedge loans with caps (interest rate caps) amounted to approximately Euro 157 thousand at 31 December 2023. These hedges are configured as Fair Value Hedging transactions as required by IAS 39. In this regard, the required prospective and retrospective tests were carried out; on the basis of the partial ineffectiveness of the same resulting from valuations at 31 December 2023 of the hedges relating to loans with caps, a partial unwinding operation was necessary on some contracts, with the realignment of the notional amount to the residual debt covered; as a result of this operation, the test was passed. The value relating to the ineffective portion of the derivative is therefore stated under financial assets held for trading (Item 20.a) of Assets) rather than under hedging derivatives with fair value deltas through profit or loss.

Section 6 - Value adjustment of macro-hedged financial assets - item 60

6.1 Value adjustment of hedged assets: breakdown by hedged portfolios

Value adjustment of hedged assets/Values	Total 31/12/2023	Total 31/12/2022
1. Positive adjustment	-	-
1.1 of specific portfolios:	-	-
a) financial assets measured at amortised cost	-	-
b) financial assets measured at fair value through other comprehensive income	-	-
1.2 comprehensive	-	-
2. Negative adjustment	(14,909)	(59,355)
2.1 of specific portfolios:	(14,909)	(59,355)
a) financial assets measured at amortised cost	(14,909)	(59,355)
b) financial assets measured at fair value through other comprehensive income	-	-
2.2 comprehensive	-	-
Total	(14,909)	(59,355)

The value adjustment of financial assets subject to macro fair value hedging relates to some separate portfolios of fixed-rate mortgages for which the interest rate risk has been hedged. This item also includes a portfolio of floating-rate loans with a maximum ceiling (Cap) that was subject to macro fair value hedging with derivative contracts (interest rate option). Since the hedge is macro, the profit/loss on the hedged item attributable to the hedged risk does not directly change the value of the hedged item (as in the case of micro hedging), but must be stated in this separate asset item. The amount of receivables subject to macro hedging is shown in table 6.2 below.

Valuation income and expenses relating to hedging derivatives and the hedged portfolio are recognised in item 90 of the income statement "Net profit (loss) from hedging".

The fair value of the aforementioned hedging derivatives is shown, based on the sign, in tables 5.2 of Assets or 4.2 of Liabilities, both referred to as "Hedging derivatives: breakdown by hedged portfolio and type of hedge", in the column "Macro Hedging".

6.2 Assets subject to macro hedging of interest rate risk

	31/12/2023	31/12/2022
1. Financial assets measured at amortised cost	1,018,103	490,356
2. Financial assets measured at fair value through other comprehensive income		
3. Portfolio		
Total	1,018,103	490,356

The table shows the value at amortised cost of both the fixed-rate mortgages on which the Group has hedged its rate risk and the floating-rate mortgages for which, upon payment of an increase on the spread, the customer is guaranteed that the rate of the loan will never exceed the contractually established rate (Cap) included in the item "Financial assets measured at amortised cost - Loans to customers".

The sum of this value and that shown in table 5.2 shows the carrying amount of these receivables, adjusted for the profit or loss attributable to the hedged risk.

Section 7 - Equity investments - item 70

7.1 Equity investments: information on equity investments

Company names	Registered office	Operational office	Type of relationship	Shareholding relationship		Availability of votes %
				Investing company	Stake %	
A. Companies controlled jointly						
B. Companies subject to significant influence						
1. Autosystem S.p.A.	Trento	Pordenone	8	CR Bolzano S.p.A.	25.00%	25.00%
2. Acirent S.r.l.	Udine	Udine	8	Civibank S.p.A.	30.00%	30.00%
3. Helpline S.p.A.	Cividale del Friuli (UD)	Cividale del Friuli (UD)	8	Civibank S.p.A.	30.00%	30.00%
4. Civiesco S.r.l.	Udine	Udine	8	Civibank S.p.A.	20.00%	20.00%

Key:
7 - joint control
8 = associate

7.2 Significant equity investments: carrying amount, fair value and dividends received

Company names	Carrying amount	Fair value	Dividends received
A. Companies controlled jointly			
B. Companies subject to significant influence			
1. Autosystem società di servizi S.p.A.	7,879		
2. Acirent S.r.l.	548		
3. Helpline S.p.A.	1,722		
4. Civiesco S.r.l.	18		
Total	10,167	-	-

7.3 Significant equity investments: accounting information

Company names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Net value adjustments/write-backs to property, plant and equipment and intangible assets	Profit (loss) from current operations before tax	Profit (loss) from current operations after tax	Profit (loss) from discontinued operations after tax	Profit (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1) +(2)
A. Companies controlled jointly														
B. Companies subject to significant influence														
1. Autosystem società di servizi S.p.A.	X	16,904	863	45,050	15,387	50,783	X	X	3,708	2,650		2,650	-	2,650
2. Acirent S.r.l.	X	890	5,336	3,154	3,072	3,665	X	X	483	483		483		483
3. Helpline S.p.A.	X	2,337	11,098	576	12,858	26,909	X	X	1,311	940		940		940
4. Civiesco S.r.l.	X	12,796	2,057	15,230	(377)	4,232	X	X	923	853		853		853

The data in this table refers to the last available economic and equity position of the investee company, i.e. at 31 December 2023 for Autosystem società di servizi S.p.A. and at 31 December 2022 for the others.

7.5 Equity investments: annual changes

	Total 31/12/2023	Total 31/12/2022
A. Opening balance	9,505	6,384
B. Increases	663	3,121
B.1 Purchases	-	2,288
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other changes	663	833
C. Decreases	-	-
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Closing balance	10,168	9,505
E. Total revaluations	-	-
F. Total adjustments	-	-

The amount shown in point B.4 of this table is attributable to the portion of the net profit realised by the company Autosystem società di servizi S.p.A. at 31 December 2023 which is included in the carrying amount as this, on the other hand, has been consolidated according to the equity method.

7.7 Commitments relating to equity investments in subsidiaries subject to joint control

At the reporting date, there are no commitments of the Group relating to equity investments in subsidiaries.

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

At the reporting date, there are no commitments of the Group relating to equity investments in companies subject to significant influence.

Section 9 - Property, plant and equipment - Item 90

9.1 Property, plant and equipment for business use: breakdown of assets measured at cost

Assets/Values	Total 31/12/2023	Total 31/12/2022
1. Owned assets	78,246	72,060
a) land	6,267	5,007
b) buildings	41,107	41,129
c) furniture	22,604	19,244
d) electronic systems	8,268	6,680
e) other	-	-
2. Rights of use acquired through leases	28,696	32,643
a) land	-	-
b) buildings	26,770	30,214
c) furniture	-	-
d) electronic systems	-	-
e) other	1,926	2,430
Total	106,942	104,703
of which: obtained through the enforcement of guarantees received	-	-

This table includes the information relating to the Rights of use acquired through leases, in accordance with the provisions of IFRS 16, which entered into force as from 01.01.2019, according to which property, plant and equipment include rights of use relating to buildings and/or other assets for which there is a lease agreement. It should also be noted that, starting from 2014, the Group revalued the properties used for business use previously measured at cost. As at 31 December 2023, the values of property, plant and equipment were updated, with a total revaluation of Euro 23.6 million recognised.

Assets recorded under property, plant and equipment held for business use are depreciated over the useful life of the asset determined as follows:

Property for business use measured at cost	33 years and 4 months
Buildings - costs for leasehold improvements:	duration of the lease
Furniture - office equipment and machinery:	3 years
Furniture - hardware:	5 years
Furniture - ATMs	8 years
Furniture - cars/means of transport:	3 years
Furniture - furnishings:	6 years and 8 months
Furniture - office furniture:	8 years and 4 months
Plants - cabling:	4 years
Plants - telephone:	5 years
Plants - equipment:	6 years and 8 months
Plants - active safety:	3 years and 4 months
Plants - other:	13 years and 4 months

9.3 Property, plant and equipment for business use: breakdown of revalued assets

Assets/Values	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Owned assets	-	-	163,992	-	-	137,525
a) land	-	-	47,895	-	-	38,834
b) buildings	-	-	116,097	-	-	98,691
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
2. Rights of use acquired through leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
c) furniture	-	-	-	-	-	-
d) electronic systems	-	-	-	-	-	-
e) other	-	-	-	-	-	-
Total	-	-	163,992	-	-	137,525
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

As indicated at the bottom of the previous table, as from the recognition at 31 December 2014, the properties used by the Group, previously measured at cost (Cost Model), are measured using the Revaluation Model system provided for by IAS 16.
The application of this method involves the recognition of the properties at a value equal to their fair value, netted in subsequent years of the effects of the depreciation of said value. IAS 16 requires that the frequency of revaluations depends on fluctuations in the fair value of the revalued property, plant and equipment. When the fair value of the revalued asset differs materially from its carrying amount, a further revaluation is required. Frequent revaluations are not required for property, plant and equipment that have only insignificant fluctuations in their fair value. It may then only be necessary to reassess the asset every three to five years.
At the time of the valuation of the assets at 31 December 2023, the fair value of the properties for business use owned by the Group was restated by an external independent appraiser.

9.4 Property, plant and equipment held for investment purposes: breakdown of assets measured at fair value

Assets/Values	Total 31/12/2023			Total 31/12/2022		
	L1	L2	L3	L1	L2	L3
1. Owned assets	-	-	143,671	-	-	138,549
a) land	-	-	2,430	-	-	2,824
b) buildings	-	-	141,241	-	-	135,725
2. Rights of use acquired through leases	-	-	-	-	-	-
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	-	-	143,671	-	-	138,549
of which: obtained through the enforcement of guarantees received	-	-	-	-	-	-

The deviation of the fair value amounts shown in the table is reconstructed in table 9.7 below.

ASSESSMENT PROCESS OF THE REAL ESTATE ASSETS OWNED BY THE GROUP

The fair value of investment property is calculated by independent external appraisers (ref. company Punto RE), with recognised professional expertise and who have built recent experience in the type of property, by location and category, subject to valuation.

Owned assets assessment process

The Independent Appraiser, as part of the process for the appraisal of owned assets, has mainly used the valuation criterion based on the Comparative Approach (Market Approach), the Income Approach and the Transformation Approach.

The main elements identifying the valuation methods used are described below:

Comparative Approach (or Market Approach): is based on the comparison between the property and other comparable assets with it, recently bought/sold or currently offered on the same market or on competing markets;

Income Approach (Direct Capitalisation): is based on the determination of the market value of the unit by converting into a hypothetical value the annual income, deriving from existing leases or by default from estimated market rents (ERV) by means of a time correction factor better known as the capitalisation rate or Cap Rate representing the average ordinary yield required by operators in the real estate market of reference.

Financial Approach (DCFA - Discount Cash Flow Analysis): is based on the determination of the market value of the unit by converting the net cash flows expected over a well-defined time horizon into a hypothesis of present value through a Discount Rate that represents, in percentage terms, the risk linked to the fact that the aforementioned cash flows are generated by the asset in question.

Transformation Approach: is based on the discounting, at the valuation date, of the cash flows generated by the real estate transaction over the period of time corresponding to its duration. This method can be associated with a financial valuation model (discounting of cash flows) based on a development project defined in terms of building quantities, intended use, transformation costs and sustainable revenues. In other words, a cost/revenue analysis is used to identify the Market Value of the property under investigation;

Cost Approach: is based on the cost that would be incurred to replace the property in question with a new asset with the same characteristics and usefulness as the property itself. This cost must be decreased in consideration of the various depreciation factors deriving from the conditions observed: utility, state of use, functional obsolescence, useful life, residual life, etc. compared to new assets of the same type.

Properties in the process of being developed have been valued on the basis of the actual progress of the building works (construction sites at an advanced stage of completion) by means of a specific analysis of the value potential expressed by them at the end of the works in progress (ref. "Transformation Approach").

It should be noted that with regard to properties undergoing transformation for which a preliminary contract has been entered into, the Company evaluates the property using the sale price agreed between the parties less the transaction costs and, if the property is in a state of transformation and the sale takes place when the interventions are completed, also reducing the final costs.

Valuation technique and main unobservable inputs

The valuation technique used to measure the fair value of investment property and the main non-observable input data used in the valuation models is illustrated below.

Transformation Approach

With regard to properties subject to transformation/enhancement, the market value of the property complex was obtained using the Transformation Method and therefore considering the projection of both the revenues from the sale of the property units and all the cost items involved in the transformation of the asset.

With reference to the category of the costs, by way of example and not limited to, construction costs, urban planning expenses, design / technical expenses, property taxation, insurance, sales fees, etc. are included.

The projections were made in current currency and in particular, the revenues and costs reported relating to real estate development were considered.

All cash flows generated are discounted at the current time with an appropriate discount rate.

The construction of the discount rate was obtained analytically or through the Build-up Approach, which allows the breakdown of the rate according to the individual components of the real estate risk or through WACC (Weighted Average Cost of Capital) considering the component deriving from Own Funds (40%) and by Third Parties (60%).

The interest rate component relating to Own Equity was obtained by considering percentage shares relating to Government Bonds (10-year Btp), Inflation, Illiquidity Risk, Initiative Risk and Urban Planning Risk.

The interest rate component relating to Third Party Equity was obtained by considering percentage shares relating to 6-month Euribor, Inflation, Spread.

The level of the discount rate is inferred from the current average conditions of the economic and financial context of the capital market (rates applied for real estate transactions), considering the real yield of low-risk, medium-long term financial assets, to which an upward or downward adjustment component was applied to take into account the characteristics of the asset.

The adjustment components used concern the risks linked to illiquidity, the characteristics of the initiative (size, type, intended use) and the urban planning situation. The adjustment components used, due to the way the discount rate is structured (with the promoter's profit being separated out as a cost item) can generally range from 0% to 5%; the value chosen depends on the risks inherent in the specific real estate transaction, where 0% represents the zero risk, while 5% represents the maximum risk. The choice of the value linked to the individual risk also depends on the current situation of the local real estate market and the presence (and therefore also on the consequent performance) of comparable real estate initiatives.

9.6 Property, plant and equipment for business use: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Opening gross balance	43,841	249,532	82,823	47,246	4,617	428,058
A.1 Total net impairment losses	-	(79,691)	(63,579)	(40,567)	(1,994)	(185,830)
A.2 Net opening balance	43,841	169,842	19,244	6,679	2,623	242,228
B. Increases:	10,322	35,874	8,078	2,948	1,290	58,512
B.1 Purchases	2,179	5,951	5,822	2,294	-	16,247
- of which business combinations	-	-	-	-	-	-
B.2 Capitalised improvement expenses	-	9,595	-	-	-	9,595
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value charged to	6,743	16,528	-	-	-	23,271
a) shareholders' equity	6,743	-	-	-	-	6,743
b) income statement	-	16,528	-	-	-	16,528
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from properties held for investment purposes	140	566	X	X	X	706
B.7 Other changes	1,260	3,233	2,256	654	1,290	8,693
C. Decreases:	-	(21,742)	(4,716)	(1,361)	(1,986)	(29,805)
C.1 Sales	-	-	(31)	-	-	(31)
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	(11,768)	(4,680)	(1,339)	(994)	(18,781)
C.3 Impairment losses recognised to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) property, plant and equipment held for investment purposes	-	-	X	X	X	-
b) non-current assets and groups of assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	(9,974)	(6)	(21)	(992)	(10,993)
D. Net closing balance	54,163	183,973	22,605	8,267	1,926	270,934
D.1 Total net impairment losses	-	(61,547)	(71,521)	(34,634)	(1,718)	(169,420)
D.2 Gross closing balance	54,163	245,520	94,126	42,901	3,645	440,354
E. Measurement at cost	-	-	-	-	-	-

For the asset classes "Land" and "Buildings", both cost and revalued value are used as measurement criteria; see tables 9.1 and 9.3 above for the relevant opening and closing balances.
Since 2014, the Group has revalued the properties for business use by applying the Revaluation Model provided for in IAS 16. "Gross closing balance" include advances paid by the Parent Bank, for an amount of Euro 3,791 thousand, referring to the acquisition of various assets, for which the depreciation process has not yet begun.
The gross closing balance and the related impairment losses recognised in items D.1 and D.2 are not reflected in the changes for the period of the various asset classes due to the presentation of the derecognition of the value of discontinued assets at net values.
The amount in line B.2 is attributable to the capitalisation of costs for the year for the renovation of leased properties used as branches.
The "other changes" in lines B.7 and C.7 show any advances on restructuring paid in previous years and allocated to the correct asset category on completion of the works in the year ended 31 December 2023, as well as the gains/losses on disposal as per table 20.1 of the income statement.

9.7 Property, plant and equipment held for investment purposes: annual changes

	Total	
	Land	Buildings
A. Opening balance	2,824	135,725
B. Increases	-	33,854
B.1 Purchases	-	16,916
- of which business combinations	-	-
B.2 Capitalised improvement expenses	-	7,609
B.3 Positive changes in fair value	-	4,975
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from properties for business use	-	-
B.7 Other changes	-	4,355
C. Decreases	(394)	(28,338)
C.1 Sales	-	(24,821)
- of which business combinations	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	(394)	(2,811)
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	(706)
a) properties for business use	-	(706)
b) non-current assets and groups of assets held for sale	-	-
C.7 Other changes	-	(1)
D. Closing balance	2,430	141,241
E. Fair value measurement	-	-

9.9 Commitments for the purchase of property, plant and equipment

At the reporting date, there are no significant commitments of the Group for the purchase of property, plant and equipment, with the exception of the costs already expected in the plan for the restructuring of existing branches.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type of asset

Assets/Values	Total 31/12/2023		Total 31/12/2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	214	X	-
A.1.1 attributable to the group	X	214	X	-
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	28,993	850	24,468	850
of which: software	23,871	-	18,931	-
A.2.1 Assets measured at cost:	28,993	850	24,468	850
a) Intangible assets generated internally	-	-	-	-
b) Other assets	28,993	850	24,468	850
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	28,993	1,064	24,468	850

Assets generated internally are not recorded.

The amount of intangible assets with a definite life is broken down as follows:

- costs for software for Euro 23,937 thousand with a definite useful life of 4 years. This residual carrying amount will be amortised in the amount of Euro 7,579, 5,930, 4,247 and 2,164 thousand in the years 2024, 2025, 2026 e 2027; the item also includes advances of Euro 4,017 thousand paid for the acquisition of assets that have not yet been amortised.

The amount of Assets with "indefinite life" under item A.2.1 b) is attributable to the capitalisation of construction rights (building rights) associated with the sale of a portion of property held as investment by the Group.

The amount of Euro 214 thousand recorded under item A.1 Goodwill, as an intangible asset with an indefinite useful life, refers to the acquisition by the subsidiary Sparim, of the controlling interest in Sparkasse Energy Srl, and determined as the difference between the acquisition price and the net equity of the acquired company, after the "Purchase price allocation" activities required by IFRS 3.

10.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		DEF	INDEF	DEF	INDEF	
A. Opening balance	-	-	-	60,572	850	61,422
A.1 Total net impairment losses	-	-	-	(36,104)	-	(36,104)
A.2 Net opening balance	-	-	-	24,468	850	25,318
B. Increases	-	-	-	11,706	-	11,706
B.1 Purchases	-	-	-	11,613	-	11,613
- of which business combinations	-	-	-	-	-	-
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to the income statement	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	93	-	93
C. Decreases	-	-	-	(6,967)	-	(6,967)
C.1 Sales	-	-	-	(36)	-	(36)
- of which business combinations	-	-	-	-	-	-
C.2 Value adjustments	-	-	-	(6,926)	-	(6,926)
- Amortisation	X	-	-	(6,926)	-	(6,926)
- Write-downs	-	-	-	-	-	-
+shareholders' equity	X	-	-	-	-	-
+income statement	-	-	-	-	-	-
C.3 Negative changes in fair value:	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to the income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	(5)	-	-
D. Net closing balance	-	-	-	29,207	850	30,057
D.1 Total net value adjustments	-	-	-	(43,016)	-	(43,016)
E. Gross closing balance	-	-	-	72,223	850	73,073
F. Measurement at cost	-	-	-	-	-	-

All intangible assets recognised in the financial statements are measured at cost.

Section 11 - Tax assets and liabilities - Item 110 of assets and Item 60 of liabilities

Current tax assets

There are current tax assets of Euro 45,166 thousand for IRES and IRAP advances paid and for IRAP and IRES tax credits, the latter partly arising from DTA transformations following the realisation of tax losses by the subsidiary CiviBank.

With reference to tax credits, it should be noted that their recognition is justified by the forecast of the realisation by the Bank and the Group of future taxable income against which they can be used.

With reference to tax credits, it should be noted that their recognition is justified by the forecast of the realisation by the Banks and the Group of future taxable income against which they can be used.

Current taxes are determined by applying the IRES rate of 27.5% and the IRAP rate of 4.64% and 4.65% (respectively for Cassa di Risparmio di Bolzano and for CiviBank) to the respective taxable amounts as a result of the weighting between the IRAP rates applicable not only in the province of Bolzano but also in the province of Trento and in the regions of Veneto, Lombardy and Friuli Venezia Giulia where the two Banks' branches operate, based on the market shares of customer deposits. With reference to the Group company Sparim, the IRES and IRAP rates applied are 24.0% and 3.3%, respectively.

Deferred taxes are also determined by applying the IRES rate of 27.5% and the IRAP rate of 4.64% and 4.65% to the respective taxable amount. With reference to Sparim, it should be noted that the Provincial Council of Bolzano, in the 2023 Budget Law, reduced the IRAP rate from 3.90% to 3.30% only for the 2023 period. Deferred taxation was determined by applying the IRES rate of 24% and maintaining the IRAP rate of 3.90%.

In this regard, it should be noted that the 2016 Stability Law provided for the reduction of the IRES rate to 24%, with effect from the tax periods subsequent to the one in progress at 31 December 2016. However, this provision does not apply to credit institutions, which are required to increase the tax at a reduced rate of 3.5 percentage points. The surcharge, which negatively affects the tax burden of banks, was in any case also envisaged with the aim of not excessively penalising the banking system, effectively neutralizing the negative effect that the reduction in rate would have had on the large stocks of DTAs resulting from the deferred deductibility of write-downs and losses on receivables.

To be noted is that from 2019, the ACE facility (Aid to Economic Growth) was reinstated; this incentive, which had been abolished by the 2019 Budget Law, was reintroduced seamlessly, i.e. avoiding that the 2019 tax period was excluded from the benefit. It should also be noted that 2023 will be the last period in which the ACE subsidy applies. The measure is set forth in Article 5 of Legislative Decree No. 216/2023, which provides for its repeal as of the tax period following the one in progress on 31 December 2023. Article 5 also establishes that, pending the comprehensive review and rationalisation of business incentives provided for by the Delegation, the provisions relating to the amount of the notional return in excess of the total net income for the tax period in progress as at 31 December 2023 shall continue to apply until the relevant effects are exhausted.

Current tax liabilities

At the reporting date, "Current tax liabilities" amounted to Euro 6,280 thousand and refer to the 2023 IRAP tax payable of the various companies included in the statutory consolidation.

Details on the breakdown and change in the year of "Deferred tax assets" and "Deferred tax liabilities" are shown in the following tables.

11.1 Deferred tax assets: breakdown

	Taxable amount	Taxes
Value adjustments to loans to customers, deductible on a straight-line basis in the ten years following their recognition in the income statement	186,753	58,254
IRES tax loss	32,759	10,269
Allocation to the provision for risks on endorsement loans	16,503	4,538
Allocations not deducted from the Pension Fund	680	187
Other allocations to the provisions for risks and charges (revocation actions, lawsuits, deferred charges for personnel not defined contractually, solidarity fund and sundry risks)	21,020	8,698
Redemption of goodwill of Millennium SIM S.p.A.	933	300
Goodwill from acquisition of the Banca Sella business unit	5,376	1,728
Other expenses with deferred deductibility	14,605	4,701
Measurement of financial assets and derivative instruments	9,929	1,839
Adjustments to property, plant and equipment and intangible assets	56,717	16,822
Write-down of IAS/IFRS receivables	52,537	15,653
Other IAS/IFRS adjustments	24,571	7,879
Total	422,384	130,868

The amount of taxes indicated in the table refers to IRES for Euro 117,237 thousand and to IRAP for Euro 13,631 thousand.

Deferred Tax Assets

Article 2, paragraphs 55 to 58, of Decree Law no. 225 of 29 December 2010, converted, with amendments, by Law no. 10, of 26 February 2011, introduced the regulation of the tax credit deriving from the transformation of deferred tax assets ("DTA") recognised in the financial statements, relating to the write-downs and losses on deductible receivables pursuant to Article 106, paragraph 3, of the TUIR [Consolidated Income Tax Act] and relating to the value of goodwill and other intangible assets whose negative components are deductible for income tax purposes in several tax periods.

Subsequently, Article 9 of Decree Law no. 201 of 6 December 2011 ("Monti decree"), converted with amendments by Law no. 214 of 22 December 2011, made changes to the rules on the transformation of DTAs into tax credits, extending their scope and modifying the way in which the tax credit can be used compared to the original wording of the rule.

The balance of deferred tax assets at 31 December 2023 includes Euro 58,554 thousand of convertible DTAs, already net of the reversal portion set for 2023. In the course of 2024, as regards CiviBank, part of the 2023 reversal quota will be converted into tax credits up to the amount of the 2023 tax loss determined by the deduction of this amount.

On 3 May 2016, the new decree law on banks was published in the Official Gazette (Decree Law no. 59/2016), converted by Law no. 119 of 30.06.2016, which introduced, among other things, changes to the regime for converting deferred tax assets into tax credits by the stakeholders (mainly credit institutions). In order to keep the conversion mechanism in place, the banks were required to pay an annual fee of 1.5% on the difference between the amount of the convertible deferred tax assets (increased by the taxes already converted) at 31.12.2015 and the taxes paid (IRES, IRAP) in the period between 2008 and 2015 (possibly increased for payments in subsequent periods). If the taxes paid exceeded the DTAs recorded in the financial statements (and those already converted), nothing was due. Vice versa, in order to continue to benefit from the tax relief pursuant to Article 2, paragraphs 55 to 57, of Decree Law no. 225/2010, the parties were required to exercise a special option by paying the new annual fee on the differences until 31 December 2029. If the option had not been exercised, for the purpose of regulatory provisions, the deferred tax assets under Law no. 214/2011 should have been treated as the other DTAs and therefore, among other things, deducted from own funds. The payment of the fee was an indispensable condition for the European Commission not to consider the

DTA scheme as "State aid". Cassa di Risparmio di Bolzano decided to maintain the transformation method. The fee paid in 2022 amounted to Euro 679 thousand.
Finally, it should be noted that in sequence, first the 2019 Budget Law and then the 2020 Budget Law, by amending Article 16, paragraphs 3 - 4 and 8 - 9 of Decree Law no. 83 of 27 June 2015, provided that the deduction of the portions of taxable DTAs on the amount of losses and write-downs on loans, for IRES and IRAP purposes, for credit and financial institutions and insurance companies in relation to previous tax periods, would be deferred and reformulated with reference to the reversal mechanism, providing for the first portion of deductibility for the 2020 tax period.
Subsequently, during the first part of 2022, the Government presented an amendment to the draft conversion law of Italian Decree Law no. 17/2022, which provided for the deferral of the deductibility envisaged for 2022 of the 12% share of negative components (write-downs and losses on receivables) pursuant to paragraphs 4 and 9 of Article 16 of Italian Decree Law no. 83 of 27 June 2015. This deferral replaces, without impact on public accounts, the one envisaged in Article 42, paragraph 1, of Italian Decree Law no. 17/2022, which referred to the deductibility of a 12% share in relation to 2021. In this way, the regulatory amendment avoided retroactive effects on the financial statements for the year 2021 and on other documents with external validity referring to 2021, already prepared or in the process of being drafted by the parties concerned by the deferral. The deferral of the deductibility of a 12% share is recovered, on a straight-line basis, over the following 4 years. In order to ensure the financial neutrality of the amendment, it is envisaged that the deductibility of 10% of the negative components envisaged for 2026 is brought forward to 2022 for a portion equal to 5.3%.
Finally, the 2024 Budget Law further amended the transitional deductibility regime.
In particular, it was established that the deduction of the 1% portion of the amount of the negative components set forth for the tax period ending 31.12.2024 and the 3% portion of the amount of the negative components set forth for the tax period ending 31.12.2026 would be deferred on a straight-line basis to the tax period ending 31.12.2027 and the following tax period. In this regard, the obligation to recalculate the IRES and IRAP advance payments for the tax periods affected by the amendments is established.

Recognition of DTAs and tax credits

It should be noted that with respect to both the DTAs recognised and the tax credits present as at 31 December 2023, the recognition is justified by the forecast of the realisation by the Banks and the Group of future taxable income against which they may be offset. In this regard, a paragraph relating to the probability test carried out with reference to the recovery of losses incurred by the subsidiary CiviBank is reported below.

Probability test for DTA detection of the subsidiary CiviBank

First of all, it should be noted that the IAS 12 international accounting standard provides that the recognition of tax liabilities and assets must be carried out on the basis of the following criteria:

- a deferred tax liability must be recognised for all taxable temporary differences;
- a deferred tax asset must be recognised for all deductible temporary differences, if it is probable that sufficient taxable income will be realised with respect to the deductible temporary differences. Deferred tax assets not accounted for in the past - as the conditions for their recognition were not met - must be recognised in the year in which these conditions arise.

The amount of deferred tax assets recognised in the financial statements must therefore be tested every year to verify whether there is a reasonable certainty of achieving taxable income in the future that will allow them to be recovered.
Considering the amount of deferred tax assets recognised under the assets of CiviBank, also with regard to the 2023 financial statements, an analysis was carried out to verify whether the future profitability forecasts are such as to guarantee their reabsorption and, therefore, justify their recognition and inclusion in the financial statements ("probability test").
In carrying out the probability test on the other prepaid IRES and IRAP taxes, recognised in the financial statements of CiviBank at 31 December 2023, deferred tax assets deriving from deductible temporary differences relating to write-downs and losses on receivables (other than those arising from the first application of the international accounting standard IFRS 9; see below), were considered separately. In this

regard, it should be noted that, starting from the tax period ended 31 December 2011, the conversion into tax credits of prepaid IRES taxes recognised in the financial statements against tax losses deriving from the deferred deduction of qualified temporary differences (Article 2, paragraph 56-bis, Italian Decree Law no. 225 of 29 December 2010, introduced by Article 9, Italian Decree Law no. 201 of 6 December 2011) is permitted. Starting from the 2013 tax period, a similar possibility of conversion is envisaged, if the IRAP return shows a negative net production value, also for prepaid IRAP taxes relating to qualified temporary differences that have contributed to the determination of the negative net production value (Article 2, paragraph 56-bis.1, Italian Decree Law no. 225 of 29 December 2010, introduced by Italian Law no. 147/2013). These forms of convertibility - in addition to that already envisaged for the case when the separate financial statements show a loss for the year (Article 2, paragraphs 55 and 56, Italian Decree Law no. 225/2010, as last amended by Italian Law no. 147/2013) - constitute an additional and supplementary recovery method, which is suitable for ensuring the recovery of qualified deferred tax assets in every situation, regardless of the company's future profitability. In fact, in a given year, if there are surpluses of qualified temporary differences with respect to taxable income or the net production value, the recovery of the related deferred tax assets does not result in a reduction in current taxes, but in any case through the recognition of deferred tax assets on the tax loss or on the negative production value, which are convertible into tax credits pursuant to Article 2, paragraphs 56-bis and 56-bis.1, Italian Decree Law no. 225/2010. The convertibility of deferred tax assets on tax losses and negative net production value that are determined by qualified temporary differences is therefore a sufficient prerequisite for the recognition in the financial statements of qualified deferred tax assets, excluding them from the scope of application of the profit probability test.

An additional limit to the tout court convertibility of deferred tax assets was introduced by Article 11 of Italian Decree Law no. 59 of 3 May 2016, amended by Italian Decree Law no. 237 of 23 December 2016, which made the conversion into a tax credit of qualified deferred tax assets in correspondence of which an actual advance payment of taxes have not occurred ("type 2 DTA") subject to the payment of an annual fee, equal to 1.5% of their total value, for the years 2016-2030. No fee is due for the convertibility into a tax credit of qualified deferred tax assets in correspondence of which an actual advance payment of higher taxes has been paid ("type 1 DTA"). Taking into account that the deferred tax assets are all "type 1 DTAs", the Bank is not currently required to pay the fee.

The 2019 Italian Budget Law (Italian Law no. 145 of 30 December 2018), Article 1, paragraphs 1067 and 1068, provided for the deductibility (both for IRES and IRAP purposes) in ten tax periods, starting from the one in progress at 31 December 2018, of the value adjustments on loans to customers recorded in the financial statements of banks and financial institutions at the time of the first-time application of the IFRS 9 international accounting standard. According to what is clarified in the Explanatory Report of the Measure, deferred tax assets recognised in the financial statements against the deferral of the aforementioned deduction are not convertible into tax credits based on the aforementioned provisions of Italian Decree Law no. 225/2010. Therefore, these taxes must be subject to a probability test.

The 2020 Budget Law (Law no. 160 of 27 December 2019) provided for a new and longer timetable for the reversals of qualified DTAs.

In particular, the Law further amended the transitional regime envisaged by Article 16 par. 3 - 4 and 8 - 9 of Italian Decree Law 83/2015 regarding the deductibility, for IRES and IRAP purposes, of losses on loans to banks, financial companies and insurance companies, providing for the deduction of the share of 12%, originally due for the tax period in progress at 31 December 2019 to be deferred, on a straight-line basis, to the tax period in progress at 31 December 2022 and the three subsequent periods (2022, 2023, 2024 and 2025).

For the sake of completeness, it should be noted that Article 55 of Italian Decree Law no. 18 of 17 March 2020 provided for the conversion of deferred tax assets recognised in the financial statements deriving from tax losses due to the sale of non-performing loans for consideration. These effects were also taken into account in the probability tests described above.

On this basis, the probability test on other IRES deferred tax assets was carried out as follows:

1. identification, in the context of other deferred tax assets, of "unqualified" ones, as they cannot be converted into tax receivables (see above);

2. analysis of these unqualified deferred tax assets and deferred tax liabilities recognised in the financial statements, differentiating them by reason and foreseeable timing of re-absorption;
3. provisional quantification of possible future taxable income of the Bank for the financial years up to 2029 with the consequent observation time horizon for the reabsorption of "unqualified" deferred tax assets of six years.

Also for IRAP deferred tax assets, the probability test was carried out analytically with reference only to unqualified deferred tax assets (for those convertible into tax receivables, as mentioned, certain prospects of use on the basis of the assumptions of conversion into tax credits envisaged by paragraphs 56-bis and 56-bis.1, Article 2, Italian Decree Law no. 225/2010, are in fact a sufficient prerequisite for recognition in the financial statements, implying passing of the relative probability test.

The test was carried out by comparing prospective IRAP taxable incomes for financial years up to 2029 with the consequent observation time horizon for the reabsorption of "unqualified" deferred tax assets of five years. Taking into account that for IRAP purposes, unlike the case for IRES tax losses, there is no carry forward regime for taxable income if in one or more years the residual tax base is negative, the IRAP deferred tax assets that can be recognised in the financial statements must be limited only to the corresponding temporary differences that can be absorbed in each year considered.

11.2 Deferred tax liabilities: breakdown

	Taxable amount	Taxes
Capital gains from disposal of property, plant and equipment	-	-
Capital gains from disposal of financial fixed assets	-	-
Deferred taxation on deferred tax reserves	-	-
Membership fees	-	-
Deferred taxation on reversal of IFRS 16 intra-group effects	-	-
Deferred taxation on FITD intervention Voluntary securitisation scheme	-	-
IAS adjustments to property, plant and equipment and intangible assets	23,944	7,630
Measurement of financial assets and derivative instruments	14,044	951
Capital gains on equity investments	-	-
PPA goodwill, former Banca Sella business unit	11,718	3,767
Other	1,407	452
Total	51,113	12,800

The amount of taxes indicated in the table refers to IRES for Euro 10,641 thousand and to IRAP for Euro 2,159 thousand.

11.3 Changes in deferred tax assets (with balancing entry in the income statement)

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	163,135	92,795
2. Increases	10,939	86,555
2.1 Deferred tax assets recognised during the year	10,939	19,720
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	10,939	19,720
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	0	66,835
3. Decreases	(52,261)	(16,549)
3.1 Deferred tax assets derecognised during the year	(44,435)	(16,215)
a) reversals	(44,435)	(16,215)
b) write-downs due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	(7,827)	-
a) transformation into tax credits pursuant to Law 214/2011	(7,493)	-
b) other	334	-
4. Closing amount	121,813	163,135

11.4 Changes in deferred tax assets pursuant to Law 214/2011

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	93,138	61,145
2. Increases	0	34,626
3. Decreases	34,584	2,633
3.1 Reversals	22,131	818
3.2 Transformation into tax credits	4,533	0
a) deriving from losses for the year	2,990	0
b) deriving from tax losses	1,543	0
3.3 Other decreases	7,920	1,815
4. Closing amount	58,554	93,138

11.5 Changes in deferred tax liabilities (with balancing entry in the income statement)

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	4,996	481
2. Increases	96	10,347
2.1 Deferred tax liabilities recognised during the year	39	102
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	39	102
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	56	10,245
3. Decreases	(236)	(5,832)
3.1 Deferred tax liabilities derecognised during the year	(236)	(5,832)
a) reversals	(236)	(5,832)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing amount	4,856	4,996

11.6 Changes in deferred tax assets (with balancing entry to shareholders' equity)

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	12,332	2,002
2. Increases	2,094	11,606
2.1 Deferred tax assets recognised during the year	2,094	2,060
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	2,094	2,060
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	9,547
3. Decreases	(5,385)	(1,276)
3.1 Deferred tax assets derecognised during the year	(5,372)	(695)
a) reversals	(5,372)	(695)
b) write-downs due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	(14)	(581)
4. Closing amount	9,041	12,332

11.7 Changes in deferred tax liabilities (with balancing entry to shareholders' equity)

	Total 31/12/2023	Total 31/12/2022
1. Opening amount	1,855	813
2. Increases	7,532	1,313
2.1 Deferred tax liabilities recognised during the year	7,520	803
a) relating to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	7,520	803
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	11	511
3. Decreases	(1,443)	(271)
3.1 Deferred tax liabilities derecognised during the year	(1,443)	(271)
a) reversals	(1,443)	(271)
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing amount	7,944	1,855

11.8 Other information

Tax situation

The Parent Bank participates, together with the subsidiaries Banca di Cividale S.p.A., Sparim S.p.A. and Sparkasse Haus S.r.l., in the "National tax consolidation", which will automatically renew at the end of the three-year period. To this end, it should be noted that 2023 represents the fiscal period of CiviBank's entry into the institution.

With reference to the terms set forth for the assessment, it is specified that paragraphs 130, 131 and 132 of the 2016 Stability Law (Law 208/2015) have reformed the two parallel reference regulations: Article 57 of Presidential Decree 633/1972 and Article 43 of Presidential Decree 600/1973. The ordinary deadline for the notification of adjustment notices and assessment notices becomes 31 December of the fifth year following the year in which the declaration was submitted, and no longer the fourth. The extension of the deadline was also provided for in cases of omitted declaration and null declaration, moving from 31 December of the fifth year following the year in which the declaration should have been submitted to 31 December of the seventh year following the year in which the declaration should have been submitted.

The new provisions apply to assessment and adjustment notices relating to the 2016 tax period and subsequent ones. For the above-mentioned documents valid until 2015, on the other hand, the notification must be made, under penalty of forfeiture, in accordance with the previous regime, i.e. "by 31 December of the fourth year following the year in which the declaration was submitted or, in cases of omitted declaration or of null declaration, by 31 December of the fifth year following the year in which the declaration should have been submitted".

In the case of violations involving tax offences (i.e. those covered by Legislative Decree 74/2000), the deadlines of the fourth and fifth year following the submitted or omitted declaration are doubled with respect to the tax period in which the violation was committed; however, this doubling does not apply if the report by the tax authorities, including the Guardia di Finanza, is submitted or transmitted after the ordinary expiry of the above-mentioned deadlines.

The ordinary discipline for the forfeiture of taxation power was changed during the Covid-19 emergency period: the "Cura Italia" decree law gave more time to offices to carry out the assessment activities. In particular, the suspension of the terms was established for 85 days, in the period from 8 March 2020 to 31 May 2020. This led to the postponement of the forfeiture terms, for a corresponding period. The result is that the forfeiture term for the deeds expiring on 31 December 2020 was postponed to 26 March 2021, while, for the years from 2016 onwards, the same deferral of the forfeiture terms applies: the extension to 26 March (or on the 25th, for leap years) applies for all the years when the control activity was in progress or could be carried out in the period 8 March-31 May 2020. Therefore, the notification of assessment notices for the 2017 tax period, which must be served by 31 December 2023, unless falling on a Sunday, followed by another holiday, will be postponed to 2 January, must take into account the aforementioned extension set during the pandemic period.

Extraordinary tax pursuant to Decree Law no. 104/2023

Decree Law no. 104 of 10 August 2023 introduced an extraordinary tax on the interest margin of banks. With Law no. 136 of 9 October, the aforementioned Decree Law was converted into law with amendments.

The newly introduced rule, in particular, provides that the extraordinary tax is determined by applying a rate of 40% on the amount of the interest margin included in item 30 of the income statement prepared in accordance with the formats approved by the Bank of Italy, relating to the financial year prior to the financial year in progress on 1 January 2024, which exceeds said margin by at least 10% in the financial year prior to the financial year in progress as at 1 January 2022.

The amount of the new tax may not, in any event, exceed 0.26% of the total amount of the risk exposure on an individual basis (in the version of the "Omnibus" decree there was a reference to 0.1% of total assets), with reference to the closing date of the financial year prior to the one in progress as at 1 January 2023.

That said, the novelty probably of greater applicability, provided for by the conversion law, is contained in the new paragraph 5-bis of Article 26, which provides that banks, in lieu of paying the tax, may allocate, at the time of approval of the financial statements for the financial year prior to the one in progress as at 1 January 2024, to a non-distributable reserve, identified for this purpose, an amount not less than two and a half times the tax.

Should the reserve be used for the distribution of profits, the bank would incur a penalty, i.e. it would have to pay tax, plus an amount equal to the interest rate on deposits with the European Central Bank, on an annual basis.

Lastly, the provision states (another novelty with respect to Decree Law no. 104/2023) that banks are prohibited from passing on the charges resulting from the application of the aforementioned taxation to undertakings and end customers, with the Italian Antitrust Authority being responsible for ensuring that the prohibition is strictly complied with. The Antitrust Authority may also operate by means of spot checks and must report annually to Parliament (Article 26, paragraph 6-bis).

The Parent Company Cassa di Risparmio di Bolzano has expressed its intention to avail itself of the option provided for by Article 26 (5 bis) of Law no. 136/2023 proposing to the Shareholders' Meeting the establishment of a non-distributable reserve in place of the payment of the extraordinary tax calculated on the increase in the interest margin. The reserve will amount to Euro 34,314,505 and will be established from a portion of the 2023 profit.

The subsidiary Banca di Cividale also expressed its intention to opt for the methods provided for in Article 26 (5 bis) of Law no. 136/2023 proposing to the Shareholders' Meeting the establishment of a non-distributable reserve in place of the payment of the extraordinary tax calculated on the increase in the interest margin. The reserve will have an amount of Euro 6,486,731 euro and will be set up for a portion of the 2023 profit.

Tax audit 2023

During 2023, the Parent Company was subject to a tax audit by the Revenue Agency of the Provincial Directorate of Bolzano (AdE) in relation to Direct taxes, VAT and other taxes for the tax years from 2018 to 2021.

At the end of the audit, on 13 December 2023, a Report on Findings was notified containing remarks relating to the years 2020 and 2021.

The remarks contained in the Report on Finding refer to the following cases:

1. approach adopted by the Bank in the financial years 2020 and 2021 for the purposes of sterilising decreases in value adjustments on loans the Deferred Tax Assets of which were converted into tax credits in previous years;
2. taxation of some income components deriving from UCITS units, for IRAP purposes in 2020.

With reference to the case referred to in point 2. above, it should be noted that in numerical terms the amount subject to dispute is not significant.

With regard to point 1., the Bank considers that the approach proposed by the Revenue Agency, in contrast to what the latter has done, is unprecedented and not in line with the albeit limited interpretative notions available on the subject, and has therefore taken action in the context of the contradictory procedure with the Agency itself in order to achieve the total cancellation of the finding.

As of the closing date of this report, no notice of assessment has been served, and therefore the Bank has not made any provision in accordance with accounting standard 37 for contingent liabilities whose occurrence is not probable.

Section 12 - Non-current assets and groups of assets held for sale and associated liabilities - Item 120 of assets and item 70 of liabilities

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

	Total 31/12/2023	Total 31/12/2022
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	5	15
of which: obtained through the enforcement of guarantees received	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	17	-
Total (A)	22	15
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	22	15
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated 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 amortised cost	108	108
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	958	894
Total (B)	1,066	1,016
of which measured at cost	958	894
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	108	123
C. Liabilities associated with assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	(22)	-
Total (C)	(22)	-
of which measured at cost	(22)	-
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 amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	(388)	(1,399)
D.5 Other liabilities	(92)	(76)
Total (D)	(480)	(1,474)
of which measured at cost	(480)	(1,474)
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

The figures shown in Table 12.1 refer to the reclassification of the assets and liabilities of Raetia SGR S.p.A. in liquidation, as well as the reclassification of the assets and liabilities identified in connection with the sale of the "Acquiring" branch.

12.2 Other information

With reference to the equity investment in Raetia SGR S.p.A. in liquidation, it should be noted that although it falls within the scope of consolidation, the total Assets and Liabilities as well as the income statement results were respectively classified under the items "Non-current assets and groups of assets held for sale", "Liabilities associated with assets held for sale" and "Gains (losses) from groups of assets held for sale" for their carrying amount after the entries of elimination and consolidation as a company in liquidation.

Section 13 - Other assets - item 130

13.1 Other assets: breakdown

	31/12/2023	31/12/2022
Tax credits	241,341	157,419
- Tax credits for purchased "eco-bonus" and "seismic bonus"	230,315	144,927
- Interest portion	49	49
- Principal portion	10,977	12,443
Receivables from tax authorities for advances paid	6,278	10,292
Withholding taxes incurred	1,234	409
Items in progress	161,999	86,733
- utilities to be charged to customers	67,631	36,486
- current account cheques	8,975	2,546
- other	85,393	47,701
Pensions fund investment management account, Sec. A/A1	58	4,350
Receivables from special purpose vehicles, Italian Law 130	91,194	36,655
Sundry assets and receivables	88,429	92,488
Total	592,164	390,159

Under Other assets, the item that has recorded the most significant increases is that relating to the tax credits deriving from the eco and seismic bonuses purchased by the two Banks of the Group (Euro +85.4 million) pursuant to the provisions of the "Relaunch Decree" of July 2020 which has introduced this tax relief for the taxpayer, who is given, inter alia, the possibility of transferring their tax credit accrued on real estate restructuring works both with the aim of improving the energy efficiency and seismic protection. These receivables are recognised at their amortised cost.
"Items in progress" increased by a total of Euro 75.3 million; this against an increase in the volumes of transitional accounts linked to virtual proxies, F24 and the electronic portfolio, as well as, to a lesser extent, the utilities to be charged to customers.
Other significant changes included the increase in the item "Receivables from special purpose vehicles, Italian Law 130" or from securitisation transactions vehicles, including the new transaction linked to the issue of covered bonds, carried out in 2023, for a total amount of Euro 54.5 million and which includes the flows to and from the SPV Fanes, vehicle of three securitisation transactions in place at the end of last year, SPK OBG SPV and Civitas SPV, the latter a vehicle of the subsidiary Banca di Cividale.
The item "Pensions fund investment management account, Sec. A/A1" includes the liquidity of the fund and the actuarial adjustments of the mathematical reserve recalculated from year to year against the valuation of the residual payable to members, determined by actuarial estimates.
The item "Tax credits", in its interest and principal portions, is in line with the figures of the previous year and mainly includes the credit for stamp duty paid virtually.

Liabilities

Section 1 - Financial liabilities measured at amortised cost - item 10

1.1 Financial liabilities measured at amortised cost: breakdown by type of due to banks

Type of transactions/Values	Total 31/12/2023				Total 31/12/2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	2,754,935	X	X	X	3,209,441	X	X	X
2. Due to banks	554,469	X	X	X	389,078	X	X	X
2.1 Current accounts and demand deposits	15,883	X	X	X	30,297	X	X	X
2.2 Term deposits	72,454	X	X	X	67,130	X	X	X
2.3 Loans	464,144	X	X	X	289,247	X	X	X
2.3.1 Repurchase agreements	206,559	X	X	X	-	X	X	X
2.3.2 Other	257,585	X	X	X	289,247	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	1,988	X	X	X	2,323	X	X	X
2.6 Other payables	-	X	X	X	81	X	X	X
Total	3,309,404	-	-	3,353,095	3,598,519	-	-	3,588,468

The item "Due to central banks" refers to TLTRO-III open market refinancing operations. This third set of loans was announced in March 2019 and subsequently saw changes to the parameters in September 2019, in light of the worsening of the economic situation, as well as in March, April and December 2020 both in the face of the COVID-19 emergency and in light of the economic repercussions due to the prolongation of the pandemic.

The change in the parameters of the TLTRO-III transactions, made by the Governing Council of the Central Bank in December 2020, provided for, inter alia, an increase in the maximum amount that can be requested in the form of the TLTRO-III amount drawn from 50% to 55% of the amount of eligible loans, as well as to conduct three additional TLTRO-III operations between June and December 2021. This decision has allowed the Parent Company to increase the total loan amount from Euro 1,950 million to Euro 2,150 million and, in addition, to make a partial early repayment of existing loans and to participate in additional loans in order to extend the term of existing loans. The total financing amount is now spread over the maturities of March (Euro 480 million), June (Euro 200 million), September (Euro 700 million) and December (Euro 770 million) of the year 2024.

In addition to these values, there are Euro 474 million (compared to the initial Euro 1,087 million) of TLTRO III transactions of the subsidiary CiviBank. In this regard, it should be noted that the subsidiary made two early repayments of existing TLTRO-III loans in the first half of 2023. More specifically, in March it repaid in full the loan with original maturity in June 2023 for an amount of Euro 258 million, while in June it partially repaid the loan with maturity in September 2023 for an amount of Euro 101 million compared to the original Euro 356 million. The total amount of outstanding loans (Euro 474 million) is spread over the maturities of March (Euro 99 million) and September (Euro 375 million) of the year 2024.

The Senior tranche of the first securitisation of loans disbursed to small and medium-sized enterprises of the Bank, structured in June 2020 and increased in volume in June 2022, the other RMBS tranches not placed on the market, as well as part of the two own issues of Covered Bonds, were all used to guarantee the loans.

The item "Due to banks" also refers to repurchase agreements entered into during the year with institutional counterparties and with a maturity of more than 12 months with underlying financial instruments issued and/or originated by the Bank itself. In detail, two transactions were entered into by the Parent Company for a total amount of approximately Euro 350 million and by CiviBank for a further two transactions for a total amount of approximately Euro 200 million.

The item "Loans" refers entirely to the amount of funding obtained by the European Investment Bank for the refinancing of specific SME projects.
In consideration of the prevailing short-term duration of due to banks, the related fair value is conventionally taken to be equal to the carrying amount.

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

Type of transactions/Values	Total 31/12/2023				Total 31/12/2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	8,305,769	X	X	X	9,405,424	X	X	X
2. Term deposits	2,257,150	X	X	X	1,139,883	X	X	X
3. Loans	621,078	X	X	X	1,062,745	X	X	X
3.1 Repurchase agreements	592,818	X	X	X	1,036,704	X	X	X
3.2 Other	28,260	X	X	X	26,041	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	28,147	X	X	X	31,364	X	X	X
6. Other payables	561,068	X	X	X	509,771	X	X	X
Total	11,773,212	-	-	11,773,212	12,149,187	-	-	12,149,187

The overall comparison figure between the amounts at the end of the period and the figures at the end of the previous year shows a decrease of Euro 376 million (-3.1%).
Point 3.1 includes the amounts of loans payables (Classic Repo) made by the Parent Bank on the MTS Repo platform, for Euro 445.6 million, and for the remainder (Euro 147.2 million), for similar transactions carried out by the subsidiary CiviBank. At the end of the 2022 financial year, this method of funding amounted to Euro 1,037 million, thus recording a reduction of Euro 444.2 million, partly replaced by repurchase transactions with underlying guaranteed bonds of own issuance, which are therefore shown under "Securities issued" in Table 1.3 below.
The item "Loans - Other" mainly refers to the amount of funding obtained in several tranches from Cassa Depositi e Prestiti to be used for the subsequent subsidised loan to SMEs.
Point 5. Lease payables, effective 01.01.2019, include amounts arising from leases subject to IFRS 16, according to which, when a right to use an asset is recognised as an asset, the discounted amount of the lease payments contractually agreed must be recognised as a liability.
The item "Other payables" refers to the funding from "third-party funds under administration" related to the subsequent disbursement of loans to customers by virtue of agreements entered into with Public Administration entities (Regions, Provinces and Municipalities) for an amount of Euro 61.1 million managed by the Parent Bank and a further Euro 367.6 million managed by the subsidiary CiviBank.
This item also includes the payable to the special purpose entity of the self-securitisation called "Fanes 4" against the sale on the market of the senior notes of the same securitisation, carried out by the Parent Bank in 2019, for a residual amount, at 31 December 2023, of Euro 45.6 million. Finally, it includes the debt to investors of a synthetic securitisation transaction set up by the Parent Company at the end of 2023, in the amount of Euro 80.8 million.
In consideration of the prevailing short-term duration of due to customers, the related fair value is conventionally taken to be equal to the carrying amount.

1.3 Financial liabilities measured at amortised cost: breakdown by type of securities issued

Type of securities/Values	Total 31/12/2023				Total 31/12/2022			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	428,809	-	-	429,620	123,628	27,029	97,710	-
1.1 structured	-	-	-	-	337	-	337	-
1.2 other	428,809	-	-	429,620	123,291	27,029	97,373	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	428,809	-	-	429,620	123,628	27,029	97,710	-

The item "Bonds" recorded an increase of Euro 305.2 million, attributable, in the amount of Euro 350.2 million, to certain "long term repo" transactions with underlying own bonds, which, based on the provisions of Circular No. 272 of the Bank of Italy, must be reported and accounted for not as repurchase agreements, but as a new placement on the market of own securities previously repurchased, with a commitment to repay at the transaction's maturity.
Net of these repo transactions, the bonds issued decreased by Euro 45.0 million due to some natural maturities at the end of the loan and to two early redemptions of lower Tier II subordinated bonds in the amount of Euro 20.4 million, only partly offset by two bond issues totalling Euro 27.6 million.
Included in the above table are the issues of two subordinated bonds with a nominal value of Euro 5 million and Euro 37 million, respectively.

It should be noted that the bonds used as underlying assets for the above-mentioned long term repo transactions refer to two Covered Bond issues from Sparkasse and fully withheld, amounting to Euro 300 million and Euro 250 million, respectively.

There were no repurchases of the remaining bonds issued.

1.3.1 Due to customers subject to micro hedging

This table is not shown since neither in the year ended 31 December 2023 nor in the previous year were there any due to customers that were micro hedged.

1.4 Details of payables/subordinated securities

The Class 2 subordinated bonds issued by the Bank are respectively:

- the Lower Tier II subordinated liabilities issued on 29 December 2017 for a nominal amount of Euro 5 million;
- the Lower Tier II subordinated liabilities issued on 3 October 2022 for a nominal amount of Euro 37 million.

In addition, there is a Lower Tier II bond issued by the subsidiary Banca di Cividale on 1 December 2021 for an amount of Euro 7.1 million.

It should be noted that on 11 September 2023, the Bank obtained authorisation from the Bank of Italy to repay in advance, by exercising a call option, two subordinated tier 2 bonds maturing on 21 December 2025 and 27 September 2028 for a total nominal value of Euro 20,363,770.

Details of subordinated liabilities outstanding at 31 December 2023 are provided below (amounts in euro):

ISIN	Nom. amount in euro	Carrying amount	Date of issue	Expiry date	Interest rate
IT0005320129	5,000,000	5,000,972	29.12.2017	29.12.2024	Fixed rate at 5.75% for the entire duration of the loan
IT0005509960	37,000,000	37,570,058	03.10.2022	03.10.2032	Fixed rate at 6.50% until 03.10.2027; for the next 5 years, the 5-year Eur mid-swap rate increased by the initial margin of 399.3 bps.
IT0005468639	7,100,000	7,128,439	01.12.2021	01.12.2031	Fixed rate at 5.00% for the entire duration of the loan

*on 21 December 2020, the interest rate was recalculated as required by the Issuance Regulation for the next 5 years on the basis of the 5-year Euro mid-swap rate increased by the initial margin of 263 basis points.

There are no repurchases in ownership of these subordinated bond issues.

Securities issued subject to micro hedging

At 31 December 2023 and at the end of the previous year, there were no outstanding bond issues and/or certificates of deposit whose interest rate risk was hedged with specific derivative instruments and accounted for in accordance with the fair value hedging rules set out in IAS 39.

Section 2 - Financial liabilities held for trading - item 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transactions/Values	Total 31/12/2023					Total 31/12/2022				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total (A)	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	431	-	-	-	-	933	-	-
1.1 Trading	X	-	431	-	X	X	-	933	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	X	-	431	-	X	X	-	933	-	X
Total (A+B)	X	-	431	-	X	X	-	933	-	X

Key:
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3
Fair value* = fair value calculated by excluding the changes in value due to the change in the creditworthiness of the issuer with respect to the issue date

The trading financial derivatives in this table refer to the fair value of foreign currency commitments held by the two Banks of the Group at the end of the period.

Section 3 - Financial liabilities designated at fair value - Item 30

This table is not reported as at 31 December 2023 and 31 December 2022, the Group had no financial liabilities designated at fair value, as a result of the application of the fair value option exercisable on bonds issued and whose interest rate risk is hedged by derivative contracts.

Section 4 - Hedging derivatives - item 40

4.1 Hedging derivatives: breakdown by type of hedge and by level

	Fair value 31/12/2023			NV	Fair value 31/12/2022			NV
	L1	L2	L3	31/12/2023	L1	L2	L3	31/12/2022
A. Financial derivatives	-	24,566	-	499,702	-	-	-	-
1) Fair value	-	24,566	-	499,702	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	24,566	-	499,702	-	-	-	-

This table shows the negative fair values of hedging derivatives.

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

4.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair value							Cash flows		Foreign investments
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity securities and equity indices	currencies and gold	credit	goods	other				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortised cost	-	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	24,566	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total Assets	-	-	-	-	-	-	24,566	-	-	-
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total Liabilities	-	-	-	-	-	-	-	-	-	-
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

Section 6 - Tax liabilities — Item 60

Information on "Tax liabilities" is provided in section 11 of Assets together with "Tax assets".

Section 7 - Liabilities associated with assets held for sale - Item 70

The information on the data regarding "Liabilities associated with assets held for sale" is provided in section 12 of the Assets together with that of "Non-current assets and groups of assets held for sale and associated liabilities".

Section 8 - Other liabilities - Item 80

8.1 Other liabilities: breakdown

	31/12/2023	31/12/2022
Payables to tax authorities	25,793	6,782
Social security contributions to be paid	5,041	2,814
Amounts to be paid to tax authorities on behalf of third parties	18,387	12,349
Amounts due to third parties	4,529	3,563
Suppliers - invoices to be paid/received	39,425	17,269
Items in progress	83,062	92,706
- Bank transfers	62,855	87,978
- Other	20,207	4,728
Currency spreads on portfolio transactions	145,334	139,401
Employee deferred charges, withholdings to be paid	3,208	2,085
Sundry liabilities and payables	55,483	95,247
Total	380,262	372,215

The item “Other liabilities” is substantially in line with the values of the previous year, with a limited increase of Euro 8.0 million (+ 2.2%).

The most significant changes are recorded under item “Payables to the tax authorities” against a considerable increase referring to the payments of indirect taxes, and under item “Invoices to be received” for costs recorded on an accrual basis, but not yet invoiced by the suppliers.

“Items in progress” was down, where the transitional accounts relating to bank transfers, in particular the transit accounts of transfers from banks, recorded lower volumes, against an increase in the more generic item of “Other items in progress”. The Item "Currency spreads on portfolio transactions" recorded a slight increase of about Euro 6 million due to the higher volumes of the "transferring" accounts as well as bills, documents and similar values - subject to collection - credited to current accounts, not yet liquid at the balance sheet date.

Section 9 - Employee severance indemnity - Item 90

9.1 Employee severance indemnity: annual changes

	Total 31/12/2023	Total 31/12/2022
A. Opening balance	3,339	673
B. Increases	6,553	7,804
B.1 Allocations for the year	6,367	4,806
B.2 Other changes	186	2,997
- of which business combinations	-	2,831
C. Decreases	(7,419)	(5,138)
C.1 Payments made	(673)	(94)
C.2 Other changes	(6,746)	(5,044)
- of which business combinations	-	-
D. Closing balance	2,474	3,339
Total	2,474	3,339

The balance of the item is attributable to the portions of the employee severance indemnity relating to:

- personnel acquired with the Kärntner Sparkasse Italia business unit for Euro 41 thousand;
- personnel acquired with the former Banca Sella business unit, for Euro 110 thousand;
- personnel of the consolidated Sparkasse Haus Srl, for Euro 25 thousand;
- personnel of the consolidated CiviBank for Euro 2,298 thousand, whose initial contribution is highlighted in point B.2 business combinations.

These shares are intended for the moment to remain within Cassa di Risparmio di Bolzano for the first three points outlined above and within CiviBank for the part pertaining to them.

The regulations of the Pension Fund "Section B" for current personnel, on the other hand, allow members, including those with fixed-term contracts, to allocate the portions of employee severance indemnity accrued to said Pension Fund. At 31.12.2023, this treatment is still reserved only to employees of the Cassa di Risparmio di Bolzano Group in its configuration prior to the entry of CiviBank.

The allocation for the year to employee severance indemnity (line B.1) is therefore recorded in the income statement (see table 10.1 below of the income statement "Personnel expenses") net of transfers to the defined contribution pension fund (Section B) included in line C.2.

Section 10 - Provisions for risks and charges - item 100

10.1 Provisions for risks and charges: breakdown

Items/Components	Total 31/12/2023	Total 31/12/2022
1. Provisions for credit risk relating to commitments and financial guarantees issued	17,724	15,244
2. Provisions for other commitments and other guarantees issued	2,496	-
3. Company pension funds	39,552	42,256
4. Other provisions for risks and charges	35,296	44,366
4.1 legal and tax disputes	5,784	4,361
4.2 personnel expenses	22,378	28,858
4.3 other	7,134	11,147
Total	95,068	101,866

The balance of the item "Company pension funds" refers to the amounts of the internal supplementary pension fund to the Parent Company, as regards the defined benefit portion. In this respect, see paragraph 10.5 below.

The "Provision for legal disputes" includes the allocations for any possible lawsuits against the companies of the Group.

To this end, it should be noted that, with reference to the claims for compensation for damages made by third parties against Raetia SGR S.p.A. in liquidation, and in the alternative to the Parent Bank as the claimant responsible for the management and coordination activities exercised against the same SGR, allocations were made in the presence of events deemed possible, but with an amount that cannot be reliably estimated, based on legal opinions obtained from the subsidiary.

The "Provision for personnel expenses" includes the allocation for the seniority bonus to personnel, a lump-sum allocation for the productivity bonus under the national labour agreement and, to a residual extent, deferred charges to be paid to personnel. In addition to these items, following the agreement signed with the trade unions relating to the solidarity fund on 27 December 2022, the "slip" manoeuvre, an amount equal to Euro 18.5 million was allocated, consisting of Euro 12.2 million for Parent Bank's employees who will accrue the right to a pension in the 2023-2028 period and who will leave their jobs earlier than the retirement age and Euro 6.3 million for the employees of Banca di Cividale. This item, the amount of which is still being finalised, was adjusted in 2023 on the basis of the final adhesions by the employees, with the recognition of a write-down against the original allocation of Euro 4.1 million.

Among other provisions, the allocation to the provision for "Risks related to the operations carried out by the Bank and the Group" amounted to Euro 4,377 thousand, and refers to operational risks associated with the Bank's financial brokerage activities as well as the real estate development and brokerage activities of the Sparim Group company.

This amount includes:

- Euro 1,953 thousand, corresponding to the amount of money owned by the Bank and being processed at the vault of the company Northeast Services, subject to temporary seizure as part of the bankruptcy proceedings of the same company;
- an amount equal to Euro 268 thousand, against possible future legal expenses deriving from proceedings connected with financial intermediation activities;
- an amount of Euro 89 thousand, against possible complaints and/or lawsuits related to the "Lexitor ruling", estimated on the basis of the early repayments of consumer loans in the period 2013-2022, for which the expenses relating to the period when they no longer used the loan could have been repaid to subscribers;

- a residual amount of Euro 8 thousand, linked to the completed transparency inspection; the amount of reimbursements to be paid to customers has already been defined in the last few months of 2022 and credited in the first quarter of 2023;
- a residual amount of Euro 162 thousand for possible settlements against claims and summons filed by the shareholders who had subscribed to the capital increases of the Parent Bank in 2008 and 2012. However, to date, there are no elements or information that would allow to foresee and justify further allocations;
- an amount of Euro 350 thousand as a provision for a variable price component linked to the sale of a property located in Corvara in Badia by the real estate company Sparim;
- an amount equal to Euro 1,546 thousand related to the risks of higher charges that could occur in relation to the significant real estate development activities that the Sparim company is carrying out on some real estate complexes purchased for development and subsequent sale purposes.

As regards the allocations made by the subsidiary Banca di Cividale, the item "legal disputes" includes the provision for "Risks connected with the operations carried out by the Bank", which amounts to Euro 2,125 thousand, and refers to operational risks related to the Bank's financial brokerage activities.
The main items included in this amount are:

- Euro 230 thousand, for disputes for recounting the calculated interest;
- Euro 612 thousand, against possible future legal expenses deriving from proceedings related to financial brokerage activities;
- Euro 935 thousand for claims and summons regarding shares;

Also in the subsidiary Banca di Cividale, the item "other provisions for risks and charges" includes a provision of Euro 100 thousand, against possible complaints and/or lawsuits related to the "Lexitor ruling", estimated on the basis of the early repayments of consumer loans in the period 2013-2022, for which the expenses relating to the period when they no longer used the loan could have been repaid to subscribers.
Lastly, an additional amount of Euro 349 thousand was recorded for potential CiviBank lawsuits noted by the Parent Company as part of the Purchase Price Allocation (PPA) process.

10.2 Provisions for risks and charges: annual changes

	Provisions for other commitments and other guarantees issued	Pension funds	Other provisions for risks and charges	Total
A. Opening balance	15,245	42,256	44,366	101,866
B. Increases	5,201	3,419	13,095	21,715
B.1 Allocation for the year	5,201	-	13,095	18,296
B.2 Changes due to the passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other changes	-	3,419	-	3,419
- of which business combinations	-	-	-	-
C. Decreases	226	6,123	22,164	28,513
C.1 Use during the year	-	4,058	19,687	23,745
C.2 Changes due to changes in the discount rate	-	-	-	-
C.3 Other changes	226	2,065	2,477	4,768
- of which business combinations	-	-	-	-
D. Closing balance	20,220	39,552	35,297	95,068

With the introduction of the IFRS 9 accounting standard, effective 01.01.2018, the guarantee margins and endorsement loans were also subject to allocation.

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk relating to commitments and financial guarantees issued				
	First stage	Second stage	Third stage	Purchased or originated impaired	Total
Commitments to disburse funds	743	3,231	-	-	3,974
Financial guarantees issued	438	257	13,055	-	13,750
Total	1,181	3,488	13,055	-	17,724

10.5 Company's defined benefit pension funds

10.5.1 Explanation of the characteristics of the funds and related risks

The defined benefit pension fund consists of two sections (Sections A and A1), both in the disbursement phase, which guarantee to retired members a supplementary treatment of the gross benefits provided by INPS.

As from 1 April 2003, a separate asset was set up in debt securities and UCITS for the investment of the liquidity generated by the fund. The positions of the members are managed in individual accounts in the name of the single members.

In relation to the incorporation, in 1999, of Credito Fondiario Bolzano S.p.A., an additional defined benefit fund was added to the internal fund regarding the retired employees of the former Credito Fondiario Trentino-Alto Adige S.p.A., which guarantees to the same, for the portion pertaining to Cassa di Risparmio di Bolzano (50%), a supplementary treatment of the mandatory pension.

For both funds, the liability deriving from the benefits due to the members of the funds is measured on the basis of an independent actuarial appraisal in order to determine the technical provisions to be allocated to cover future pension benefits.

10.5.2 Changes during the year in net defined benefit liabilities (assets) and reimbursement rights

	Pension Fund Sec. A/A1	Pension Fund Former Credito Fondiario Bolzano	Total
Balance at 31/12/2022	41,710	545	42,255
Revenues	-	-	-
Allocation of gross return on investment	3,419	-	3,419
Adjustment of expected/actual return difference	-	-	-
Adjustment of actuarial estimates	-	-	-
Acquisition from other funds	-	-	-
Other revenues	-	-	-
Total revenues	3,419	-	3,419
Expenses			
Pensions paid	(3,979)	(79)	(4,058)
Allocation of gross investment loss	-	-	-
Adjustment of expected/actual return difference	-	-	-
Adjustment of actuarial estimates	(2,023)	(42)	(2,065)
Other expenses	-	-	-
Total expenses	(6,002)	(121)	(6,123)
Balance at 31/12/2023	39,127	424	39,551

10.5.3 Information on the fair value of plan assets

The table below shows the changes in the exercise of the plan assets; the financial assets constituting "plan assets" present in the portfolio of the Pension Fund (Sections A and A1) are all included in levels 1 and 2 of the fair value hierarchy, since these are securities contributed for IAS purposes.

	Debt securities	UCITS units	Total
Opening balance	20,526	16,129	36,655
B. Increases	23,503	1,615	25,118
B.1 Purchases	21,524	-	21,524
B.2 Positive changes in fair value	1,621	1,074	2,695
B.3 Other changes	358	541	899
C. Decreases	(9,767)	(10,990)	(20,757)
C.1 Sales	(9,668)	(10,990)	(20,658)
C.2 Refunds	-	-	-
C.3 Negative changes in fair value	-	-	-
C.4 Other changes	(99)	-	(99)
D. Closing balance	34,262	6,754	41,016

The financial statements include assets and liabilities referring to the defined benefit pension fund (Sections A and A1), which can be summarised as follows:

	31/12/2023
Assets	
Investments in securities	(41,015)
Investments in liquidity	(58)
Adjustment for actuarial estimates	-
Tax credit	(706)
Total Assets	(41,779)
Liabilities	
Pension Fund	39,127
Payables to tax authorities for substitute tax	629
Other liabilities of financial management	2,023
Total Liabilities	41,779

10.5.4 Description of the main actuarial assumptions

The actuarial valuation of the Mathematical Reserve of the Pension Fund (Sections A and A1) was carried out by adopting the following demographic and economic-financial assumptions:

a) Demographic assumptions: for the probabilities of death, those relating to the Italian population as measured by ISTAT, broken down by gender;

b) Economic and financial assumptions: the valuations are made on the basis of the following assumptions:

- annual discount rate of 1.50% and
- annual inflation rate, for the indexation of the benefits of the FUND and INPS, for which reference was made to the "Economic and Financial Document 2023 - Update Note" approved by the Council of Ministers on 27 September 2023, which provides for an annual rate of 2.3% for 2024, 2% for 2025 and 2.1% for 2026. Because of this update, it was assumed that a flat rate of 2.1%, also on an annual basis, would be adopted from 2027.

10.6 Provisions for risks and charges - other provisions

	31/12/2023	31/12/2022
Legal disputes		
Foreseeable liabilities, determined analytically and with the support of the Group's lawyers, in respect of pending judicial and out-of-court actions in which the Group is a taxable person	7,250	3,852
Indemnity in lieu of notice	-	62
Hedging of risks deriving from revocation actions	429	447
Total Provisions for legal disputes	7,679	4,361
Personnel expenses		
"Deferred charges" to be paid to Personnel in the next year	7,203	9,211
Charges relating to staff seniority bonus	1,161	1,084
Charges related to the "slip manoeuvre"	14,015	18,563
Total Provisions for personnel expenses	22,379	28,858
Other		
Operational risks related to financial brokerage activities carried out by the Bank	4,688	10,659
Coverage of the risk of death/disability of members of the Pension Fund Section B	300	300
Commitments to Equitalia S.p.A. (Article 11 Sale agreement)	250	189
Total "Sundry" provisions	5,238	11,148
Total Other Provisions	35,296	44,367

The amounts allocated were not discounted as the time element of the financial regulation is either not significant or the date of commitment of the resources cannot be reliably estimated.

Section 13 - Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

For information on the qualitative nature and composition of the Group's equity, please refer to the following "Information on consolidated shareholders' equity".

13.1 "Share capital" and "Treasury shares": breakdown

The item "Share Capital" consists of no. 60,952,013 ordinary shares with a par value of Euro 7.70 each, broken down as follows:

no.	30,000,000	shares pertaining to the contribution made in 1992 (Law 218/90);
no.	2,500,000	shares relating to the share capital increase carried out in 1994;
no.	3,500,000	shares deriving from the conversion of the bond issued in 1994,
		fully subscribed in 1997 by the Bayerische Landesbank of Munich;
no.	4,500,000	shares relating to the capital increase carried out on 21 December 2012;
no.	20,452,013	shares relating to the capital increase carried out on 18 December 2015.

It should be noted that starting from 7 August 2015, in execution of the resolution passed by the Extraordinary Shareholders' Meeting of 28 April 2015, the split of the shares of Cassa di Risparmio S.p.A. was launched in a ratio of 1:10 (ten new shares for an old share). The allotment date for the new securities was set for 26 August 2015.

In connection with this split transaction, the number of shares of the first four transactions described above is multiplied by ten.

The nominal amount of Euro 7.70 derives from the share capital increase of Euro 79,200,000, resolved by the Shareholders' Meeting on 27 April 2012, through the use of reserves already established.

The item "Treasury shares", recorded as a reduction of Shareholders' Equity at 31 December 2023, consists of no. 1,117,539 ordinary shares of Cassa di Risparmio di Bolzano S.p.A. (carried at an average unit price of Euro 9.747).

By letter of 7 July 2023 and subsequent additions of 11 August 2023 and 18 August 2023, Sparkasse sent, in accordance with Articles 77 and 78 of EU Reg. No. 575/2013 CRR and Article 29 of EU Reg. No. 241/2014, the Bank of Italy requested i) modification of the ceiling reserved for the partial repurchase of instruments eligible for inclusion in the Common Equity Tier 1 capital and ii) reduction of own funds for early redemption of Tier 2 instruments. With communication of the 11 September 2023, the Bank of Italy communicated the authorisation to modify the ceiling and to repurchase Tier 2 subordinated bonds. Specifically, the Bank was authorised to partially repurchase treasury shares from a previously authorised amount of Euro 12 million (by order dated 24 October 2022) to Euro 11.15 million and to repay Tier 2 bonds in advance for Euro 20.4 million.

On the basis of these authorisations, in 2023 the Bank has repurchased 208,843 shares at an average price of Euro 9.90 each and resold 49,526 shares at an average unit price of Euro 9.88. Please note that on the occasion of the dividend payment in May 2023, Sparkasse has offered shareholders the opportunity to receive the dividend in the form of shares at the rate of 1 share for every 29 shares held. In return for this option, the Bank has distributed 41,955 shares.

12.2 Share capital - Number of shares: annual changes

Items/Types	Ordinary	Other
A. Shares existing at the beginning of the year	59,993,791	-
- fully paid	60,952,013	-
- not fully paid	-	-
A.1 Treasury shares (-)	(958,222)	-
A.2 Shares outstanding: opening balance	59,993,791	-
B. Increases	49,526	-
B.1 New issues	-	-
- for a fee:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- free of charge:	-	-
- in favour of employees	-	-
- in favour of the directors	-	-
- other	-	-
B.2 Sale of treasury shares	49,526	-
B.3 Other changes	-	-
C. Decreases	(208,843)	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(208,843)	-
C.3 Business units sales	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	59,834,474	-
D.1 Treasury shares (+)	(1,117,539)	-
D.2 Shares existing at the end of the year	60,952,013	-
- fully paid	60,952,013	-
- not fully paid	-	-

13.4 Profit reserves: other information

	31/12/2023	31/12/2022
1. Legal reserve	76,142	68,441
2. Extraordinary reserve	38,290	27,006
3. Reserve from contribution pursuant to Law 218/90	-	-
4. Reserve pursuant to Article 22 of Legislative Decree 153/99	-	-
5. Merger surplus reserve	13,917	13,917
6. Reserve for the purchase of treasury shares - committed portion	246	3,174
7. Reserve for the purchase of treasury shares - available portion	10,904	9,326
8. Reserves - other	198,403	60,471
Total	337,821	182,336

The item "Reserves - other" refers to the positive and negative reserves related to the effects of the transition to the IAS/IFRS International Accounting Standards. The change compared to the previous period is mainly due to the distribution of the profit for the previous year, not otherwise allocated.

The reserves referred to in points 6 and 7 are established and used in accordance with the resolution of the Ordinary Shareholders' Meeting of 5 April 2023.

Section 14 - Shareholders' equity pertaining to minority interests - Item 190

14.1 Breakdown of item 190 "Shareholders' equity pertaining to minority interests"

	Total 31/12/2023	Total 31/12/2022
Equity investments in consolidated companies with significant minority interests		
1. Banca di Cividale S.p.A.	65,924	61,140
2. CIVITAS SPV SRL	12	-
3. Fanes S.r.l.	12	12
Other equity investments	4	4
Total	65,952	61,156

As at 31 December 2023, minority interests amounted to Euro 65,952 thousand.

Effective as from 2023, the self-securitisation vehicle of Banca di Cividale, Civitas SPV S.r.l., is also reported in this table, for an amount of Euro 12 million.

The item “Other equity investments” represents the value of the SPK OBG S.r.l. vehicle in which third parties hold a 40% share for a value of Euro 4 thousand.

Other information

1. Commitments and financial guarantees issued other than those designated at fair value

	Nominal amount on commitments and financial guarantees issued				Total 31/12/2023	Total 31/12/2022
	First stage	Second stage	Third stage	Purchased or originated impaired		
1. Commitments to disburse funds	3,209,002	92,817	59,522	-	3,361,341	3,081,808
a) Central Banks	-	-	-	-	-	-
b) Public administrations	282,533	2,000	-	-	284,533	285,554
c) Banks	7,130	-	-	-	7,130	53,534
d) Other financial companies	345,381	19,941	-	-	365,322	133,809
e) Non-financial companies	2,380,096	60,249	47,995	-	2,488,340	2,365,480
f) Households	193,862	10,627	11,527	-	216,016	243,431
2. Financial guarantees issued	578,785	20,866	19,581	-	619,232	625,480
a) Central Banks	-	-	-	-	-	-
b) Public administrations	2,834	-	-	-	2,834	3,183
c) Banks	653	-	-	-	653	13,013
d) Other financial companies	3,630	3,878	-	-	7,508	14,456
e) Non-financial companies	540,259	16,005	19,191	-	575,455	559,740
f) Households	31,409	983	390	-	32,782	35,088

Guarantees issued and commitments to disburse funds, shown here net of value adjustments (Euro 20,219 thousand) include net impaired exposures amounting to Euro 63,605 thousand (see table A.1.5 in Section 1 of Part E "Information on risks and related hedging policies).

2. Other commitments and other guarantees issued

	Nominal amount Total 31/12/2023	Nominal amount Total 31/12/2022
1. Other guarantees issued		
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	271	271
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments		
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-

3. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2023	Amount 31/12/2022
1. Financial assets measured at fair value through profit or loss	41,190	37,081
2. Financial assets measured at fair value through other comprehensive income	254,358	297,956
3. Financial assets measured at amortised cost	5,898,214	6,429,389
4. Property, plant and equipment	-	-
of which: property, plant and equipment constituting inventories	-	-

The financial assets referred to in point 1. are recognised at their carrying amount and refer to the commitments related to the management of the separate assets in debt securities and UCITS units for the investment of the liquidity generated by the Pension Fund - Sections A-A1.

The financial assets referred to in points 2. and 3. are recorded at their carrying amount and committed as follows:

- for "pooling" transactions at the Bank of Italy for Euro 3,666.2 million;
- by way of additional guarantee against loans taken out with EIB for Euro 335.3 million;
- for classic repo transactions for Euro 604.2 million.

The following amounts are also included in point 3. "Financial assets measured at amortised cost":

- Euro 31,575 thousand relating to the residual debt of the loans to customers, granted on the basis of the agreement entered into with the European Investment Bank (EIB), assigned with recourse to the EIB to guarantee the borrowings contracted by the Bank with the latter;

- Euro 14,110 thousand relating to the residual debt of the loans to customers, disbursed on the basis of the agreement stipulated with Cassa Depositi e Prestiti (CDP), assigned with recourse to the CDP to guarantee the borrowings contracted by the Bank with the latter;
- Euro 1,421.2 million referring to Abaco receivables.

Note also the presence of other assets, which are not recorded in the balance sheet assets, used as collateral to guarantee loans received from the European Central Bank, represented by ABS (Asset Backed Security) securities for a nominal amount of Euro 376.8 million deriving from two self-securitisation transactions carried out by the Parent Company in 2018 and 2020 respectively, and a self-securitisation transaction of the subsidiary CiviBank (for Euro 10.0 million).

5. Management and brokerage on behalf of third parties

Type of services	Amount
1. Fulfilment of orders on behalf of customers	2,383,740
a) purchases	1,433,253
1. settled	1,430,760
2. unsettled	2,493
b) sales	950,487
1. settled	948,055
2. unsettled	2,432
2. Portfolio management	231,488
a) individual	231,488
b) collective	-
3. Custody and administration of securities	11,316,306
a) third-party securities on deposit: related to the performance of custodian bank (excluding portfolio management)	-
1. securities issued by the companies included in the scope of consolidation	-
2. other securities	-
b) third-party securities on deposit (excluding portfolio management): others	3,129,304
1. securities issued by the companies included in the scope of consolidation	534,259
2. other securities	2,595,045
c) third-party securities deposited with third parties	3,103,039
d) own securities deposited with third parties	8,187,002
4. Other transactions	-

With reference to the data included in the table, the following is specified:

- trading of financial instruments on behalf of third parties: unsettled "purchases" and "sales" consist of purchase/sale contracts for which financial settlement has not yet been enacted at the end of the year;
- asset management: the total amount, at market values, of the assets managed on behalf of other parties is here indicated;
- custody and administration of securities: securities subject to custody and administration contracts are recognised at their nominal amount.

Part C
Information on the Consolidated Income Statement

Part C - Information on the Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Items/Technical forms	Debt securities	Loans	Other transactions	Total 31/12/2023	Total 31/12/2022
1. Financial assets measured at fair value through profit or loss:	555	51	139	745	1,313
1.1 Financial assets held for trading	152	-	139	291	153
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	403	51	-	454	1,160
2. Financial assets measured at fair value through other comprehensive income	3,438	-	X	3,438	(680)
3. Financial assets measured at amortised cost:	97,233	415,152	-	512,385	277,611
3.1 Loans to banks	4,149	7,857	X	12,006	2,040
3.2 Loans to customers	93,084	407,295	X	500,379	275,571
4. Hedging derivatives	X	X	9,529	9,529	-
5. Other assets	X	X	32,294	32,294	6,498
6. Financial liabilities	X	X	X	139	9,228
Total	101,226	415,203	41,962	558,530	293,970
of which: interest income on impaired financial assets	-	7,256	-	7,256	11,012
of which: interest income on financial leases	X	16,848	X	16,848	5,137

The amount of Euro 139 thousand in item 1.1 under "Other transactions" refers to the difference between asset and liability differentials generated by the financial derivatives described in Table 2.1 of Assets and 2.1 of Liabilities.
The amount shown in point "4. Hedging derivatives" represent the credit balance between receivables and payables on derivative contracts entered into to hedge against interest rate risk.
Point 5. "Other assets" includes, inter alia, the interest income accrued on demand deposits with the Bank of Italy ("deposit facility") for an amount of Euro 17,237 thousand on deposits opened by Cassa di Risparmio di Bolzano and of Euro 4,607 thousand on the deposits opened by CiviBank, as well as the interest accrued according to the amortised cost method applied to the eco- and earthquake-bonus tax receivables purchased (for an amount of Euro 5,757 thousand for the receivables purchased by Cassa di Risparmio di Bolzano and an additional Euro 2,642 thousand for those purchased by CiviBank).
The amount under item "6. Financial liabilities" refers to interest income on classic repo at a negative rate still outstanding in the very first part of 2023.
In general, the sharp rise in interest rates during 2023 brought with it a considerable increase in interest income and interest expense values.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income on financial assets in foreign currency

	Total 31/12/2023	Total 31/12/2022
Interest income on financial assets in foreign currency	1,251	388

The figure of interest income on assets in foreign currency is due in full to interest on current accounts in foreign currency and advances in foreign currency.

1.3 Interest expense and similar charges: breakdown

Items/Technical forms	Payables	Securities	Other transactions	Total 31/12/2023	Total 31/12/2022
1. Financial liabilities measured at amortised cost	(247,982)	(8,672)	X	(256,654)	(21,994)
1.1 Due to central banks	(98,763)	X	X	(98,763)	-
1.2 Due to banks	(14,142)	X	X	(14,142)	(1,647)
1.3 Due to customers	(135,077)	X	X	(135,077)	(15,649)
1.4 Securities issued	X	(8,672)	X	(8,672)	(4,698)
2. Financial liabilities held for trading	-	-	(1)	(1)	-
3 Financial liabilities designated at fair value	-	-	-	-	(189)
4. Other liabilities and provisions	X	X	(373)	(373)	(3,826)
5. Hedging derivatives	X	X	-	-	(810)
6. Financial assets	X	X	X	-	(752)
Total	(247,982)	(8,672)	(374)	(257,030)	(27,571)
of which: interest expense on lease payables	(1,152)	X	X	(1,152)	(497)

With effect from 1 January 2019 following the adoption of the IFRS 16 accounting standard relating to leases, this table shows separately the interest expense relating to the payables recorded in the liabilities as a counter-entry to the rights of use acquired with the lease.

1.4 Interest expense and similar charges: other information

1.4.1 Interest expense on liabilities in foreign currency

	Total 31/12/2023	Total 31/12/2022
Interest expense on liabilities in foreign currency	(288)	68

The figure for interest expense on liabilities in foreign currency is attributable to interest paid on customer accounts and relations with banks.

1.5 Spreads relating to hedging transactions

Items	Total 31/12/2023	Total 31/12/2022
A. Positive spreads relating to hedging transactions	20,231	3,774
B. Negative spreads relating to hedging transactions	(10,703)	(4,470)
C. Balance (A-B)	9,528	(696)

This table shows the spreads related to IRS contracts entered into to hedge the interest rate risk of portfolios of fixed-rate mortgages.

Section 2 - Commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of services/Values	Total 31/12/2023	Total 31/12/2022
a) Financial instruments	28,276	24,071
1. Placement of securities	-	2,811
1.1 With underwriting commitment and/or on the basis of an irrevocable commitment	-	2,811
1.2 Without irrevocable commitment	-	-
2. Reception and transmission of orders and execution of orders on behalf of clients	2,090	1,676
2.1 Reception and transmission of orders for one or more financial instruments	2,090	1,563
2.2 Fulfilment of orders on behalf of customers	-	113
3. Other commissions referring to activities related to financial instruments	26,186	19,584
of which: trading on own account	24,139	18,586
of which: individual portfolio management	2,047	998
b) Corporate Finance	-	-
1. Advisory services on Mergers and Acquisitions	-	-
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	-	-
c) Investment advisory activities	2,853	2,760
d) Clearing and settlement	-	1
e) Collective portfolio management	-	-
f) Custody and administration	444	428
1. Custodian bank	-	-
2. Other fees related to custody and administration activities	444	428
g) Central administrative services for collective portfolio management	-	-
h) Fiduciary activity	-	-
i) Payment services	20,517	20,871
1. Current accounts	657	4,550
2. Credit cards	5,737	637
3. Debit and other payment cards	5,764	6,001
4. Wire transfers and other payment orders	4,788	2,580
5. Other fees related to payment services	3,571	7,103
j) Distribution of third-party services	25,522	22,709
1. Collective portfolio management	-	-
2. Insurance products	18,098	17,985
3. Other products	7,424	4,724
of which: individual portfolio management	27	-
k) Structured finance	5,389	4,572
l) Servicing activities for securitisation transactions	-	-
m) Commitments to disburse funds	15,315	10,869
n) Financial guarantees issued	5,921	5,822
of which: credit derivatives	-	-
o) Financing operations	1,633	3,527
of which: for factoring transactions	-	-
p) Trading in foreign currencies	1,342	1,050
q) Goods	-	-
r) Other commission income	37,497	26,332
of which: for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	144,709	123,012

The item fee and commission income recorded an overall increase of Euro 21.7 million, equal to +17.6%; this increase is mainly attributable to the contribution to the income statement of the subsidiary Banca di Cividale for the entire 2023 financial year, while in 2022 the contribution only concerned the second half of the year, i.e. the period following the effectiveness of the acquisition transaction finalised on 30 June 2022.
Analysing the details for the Group's two banks, there was an increase in fee and commission income collected on structured finance transactions and in the area of current account keeping and management fees, shown here under "Other commission income".
The remaining types of commissions are basically in line with the values of the previous year, confirming the effectiveness of the consultancy activity undertaken. A decrease was only seen in fee and commission income related to payment services, on which contractual changes in the handling of commissions paid to intermediaries by the counterparty weighed heavily.
With reference to the disclosure pursuant to IFRS 7, paragraph 20, letter c (i), there is no income arising from financial assets or liabilities not designated at fair value through profit or loss.

2.2 Fee and commission expense: breakdown

Type of services/Values	Total 31/12/2023	Total 31/12/2022
a) Financial instruments	(413)	(749)
of which: trading in financial instruments	(380)	(749)
of which: placement of financial instruments	-	-
of which: individual portfolio management	(32)	-
- Own	-	-
- Delegated to third parties	(32)	-
b) Clearing and settlement	-	(24)
c) Collective portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(459)	(443)
e) Collection and payment services	(7,430)	(5,088)
of which: credit cards, debit cards and other payment cards	(4,460)	(2,551)
f) Servicing activities for securitisation transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	(2,514)	(630)
of which: credit derivatives	-	-
i) Off-site selling of financial instruments, products and services	-	-
j) Trading in foreign currencies	-	-
k) Fee and commission expense	(2,644)	(1,213)
Total	(13,460)	(8,147)

Fee and commission expense, as already specified for fee and commission income, are affected by the fact that the contribution to the income statement of the subsidiary Banca di Cividale for 2023 refers to the entire year, while in 2022 the contribution concerned only the second half-year, or the period following the effectiveness of the acquisition completed as at 30 June 2022.
The increase in fee and commission expense paid by the Parent Company for financial guarantees received was significant. In particular, commissions were recorded in connection with the synthetic securitisation transaction put in place by the Parent Company in November 2023, amounting to Euro 982 thousand, and commissions paid as part of the Cronos Vita (formerly Eurovita) transaction for Euro 515 thousand as commission for non-utilisation of the credit line granted by a pool of banks, in addition to Euro 617 thousand in servicing fee and commission expense paid by the Parent Company as part of this transaction and

recorded under "Other fee and commission expense". Fees paid for guarantees issued by the Ministry of Economic Development on loans granted by banks to SMEs also increased.

Fee and commission expense in the collection and payment services segment also increased, particularly in the credit and debit card segment.
With reference to the disclosure pursuant to IFRS 7, paragraph 20, letter c (i), there are no expenses arising from financial assets or liabilities not designated at fair value through profit or loss.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 31/12/2023		Total 31/12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	21	-	4	-
B. Other financial assets mandatorily measured at fair value	-	1,118	899	1,174
C. Financial assets measured at fair value through other comprehensive income	1,163	-	1,076	-
D. Equity investments	-	-	-	-
Total	1,184	1,118	1,979	1,174

Among the financial assets mandatorily measured at fair value, the item "similar income" includes dividends paid from UCITS units in the portfolio of the Group's two banks.

The item "Financial assets measured at fair value through other comprehensive income" includes dividends received on minority interests managed under the "Equity fair value option". The item includes the dividend paid by the Bank of Italy for Euro 427 thousand and those collected by Banca di Cividale on the two Slovenian investee banks.

This item also includes dividends collected on equity securities, other than minority investments, for which the Bank has exercised the equity OCI option; in 2023, these dividends amounted to Euro 13 thousand for the sole portion relative to Cassa di Risparmio di Bolzano.

Section 4 - Net profit (loss) from trading - Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	146	195	(40)	(36)	264
1.1 Debt securities	146	180	(36)	(36)	253
1.2 Equity securities	-	-	(4)	-	(4)
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	15	-	-	15
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	2,224
4. Derivative instruments	379	408	(1,707)	(282)	(920)
4.1 Financial derivatives:	379	408	(1,707)	(282)	(920)
- On debt securities and interest rates	379	279	(1,707)	(257)	(1,306)
- On equity securities and equity indices	-	129	-	(25)	104
- On currencies and gold	X	X	X	X	282
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	525	603	(1,747)	(318)	1,568

The item "Financial derivatives" includes the economic results of derivatives listed on regulated markets and included in the trading activities of the Bank. Due to the increase in interest rates recorded at the end of 2022 and at the beginning of 2023 and the subsequent expectation of a future decrease therein, the hedges of mortgages with a "cap" option underwent fluctuations in fair value that resulted in capital losses totalling Euro 1,699 thousand at year-end.

The contribution of the exchange rate differences component, i.e. the gains from currency revaluation, recorded a positive figure of Euro 2,224 thousand.

Section 5 - Net profit (loss) from hedging - Item 90

5.1 Net profit (loss) from hedging: breakdown

Income components/Values	Total 31/12/2023	Total 31/12/2022
A. Income relating to:		
A.1 Fair value hedging derivatives	14,878	55,462
A.2 Hedged financial assets (fair value)	60,386	-
A.3 Hedged financial liabilities (fair value)	-	-
A.4 Cash flow hedging derivatives	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total income from hedging (A)	75,264	55,462
B. Charges relating to:		
B.1 Fair value hedging derivatives	(62,199)	-
B.2 Hedged financial assets (fair value)	(15,940)	(53,952)
B.3 Hedged financial liabilities (fair value)	-	-
B.4 Cash flow hedging derivatives	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total hedging charges (B)	(78,139)	(53,952)
C. Net profit (loss) from hedging (A - B)	2,875	1,510
of which: result of hedges on net positions	-	-

This table shows the changes in fair value deriving from the hedging of interest rate risk as part of fair value hedging transactions on portfolios of fixed-rate mortgages that the two banks concluded with external counterparties.

As required by international accounting standards (IAS 39), this item reports changes in the fair value of hedging instruments and hedged items that are within the effectiveness corridor set out by IAS 39 (80-125%).

For the results of the effectiveness tests, please refer to table 5.2 of Part B (Information on the Balance Sheet - Assets).

Section 6 - Profits (losses) on disposal/repurchase - Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

Items/Income components	Total 31/12/2023			Total 31/12/2022		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Financial assets measured at amortised cost	2,474	(4,828)	(2,355)	6,878	(5,087)	1,791
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	2,474	(4,828)	(2,355)	6,878	(5,087)	1,791
2. Financial assets measured at fair value through other comprehensive income	3,471	(3,469)	2	46	(2,156)	(2,110)
2.1 Debt securities	3,471	(3,469)	2	46	(2,156)	(2,110)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	5,945	(8,297)	(2,352)	6,924	(7,242)	(318)
Financial liabilities measured at amortised cost	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	(1)	(1)	23	(9)	14
Total Liabilities (B)	-	(1)	(1)	23	(9)	14

The net result recorded under the item "Financial assets measured at amortised cost" is attributable to some individual transactions for the sale of non-performing loans and the maturity of some debt securities of the "held to collect" portfolio. The net result of "Financial assets at fair value through profit and loss" is generated by some fixed-rate government bonds maturing in 2023, for which, in the absence of interim purchases and sales, the redemption gain was offset by the reversal of valuation reserves to the income statement.

Section 7 - Net income of financial assets and liabilities measured at fair value through profit or loss - item 110

In the absence of net changes in the value of financial assets and liabilities measured at fair value through profit or loss, this table is not valued.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B) - (C+D)]
1. Financial assets	5,845	190	(5,795)	(165)	75
1.1 Debt securities	261	15	(107)	(165)	4
1.2 Equity securities	-	175	(90)	-	85
1.3 UCITS units	5,584	-	(5,598)	-	(14)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange rate differences	X	X	X	X	-
Total	5,845	190	(5,795)	(165)	75

This table shows the impacts on the income statement of financial assets mandatorily measured at fair value, i.e. those assets that, on the basis of the rules set forth in IFRS 9, do not pass the SPPI test as from 1 January 2018, i.e. they cannot be included in a business model at amortised cost or measured at fair value through other comprehensive income.

There were some significant capital gains on mutual funds held by the Parent Company for an amount of Euro 4.2 million. The subsidiary Banca di Cividale recognised a capital loss of Euro 1,120 thousand on mutual fund units, while the subsidiary Sparim wrote down the units of the real estate investment fund Margot by Euro 3 million, which saw its NAV value significantly decrease due to the sale of a significant portion of its real estate assets.

Section 8 - Net value adjustments/write-backs for credit risk - Item 130

8.1 Net value adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				Total	Total
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	31/12/2023	31/12/2022
			Write-offs	Other	Write-offs	Other						
A. Loans to banks	(65)	-	-	-	-	-	2	-	-	-	(63)	(126)
- Loans	(25)	-	-	-	-	-	-	-	-	-	(25)	(14)
- Debt securities	(40)	-	-	-	-	-	2	-	-	-	(38)	(112)
B. Loans to customers	(2,550)	(5,266)	(513)	(69,794)	-	(94)	2,744	-	31,792	101	(43,580)	(42,765)
- Loans	(2,391)	(4,877)	(513)	(69,794)	-	(94)	2,617	-	31,792	101	(43,159)	(41,303)
- Debt securities	(159)	(389)	-	-	-	-	127	-	-	-	(421)	(1,462)
Total	(2,615)	(5,266)	(513)	(69,794)	-	(94)	2,746	-	31,792	101	(43,643)	(42,891)

The allocations on loans of the period, together with the precise credit risk hedging policy that the Parent Bank has been pursuing for several years now, made it possible to ensure constant monitoring of non-performing loans, and has allowed all coverage ratios to remain in line with the excellent ones achieved in the previous year. This credit risk hedging policy was also applied to the newly-entered Banca di Cividale, consolidated starting from the second half of 2022.

Following the entry into the Group of the subsidiary CiviBank, the coverage rates values of non-performing loans are impacted by the effects linked to the "Purchase price allocation", i.e. the fact that the financial assets acquired with control of the bank were recognised at their fair value at the acquisition date. Therefore, in the calculation of the ratios, the non-performing loans of CiviBank no longer separate the component of the adjustment provisions with respect to the gross exposure, but has a "net present value" at the reporting date.

Given the above, the coverage rate on the overall anomalous credit stood at 50.9% (compared to 47.5% at the end of 2022); the coverage on loans classified as "unlikely to pay" was 47.1% (42.7% as at 31 December 2022) and that on bad loans was 68.8% (68.0% as at 31 December 2022). The coverage rate on the performing loan portfolio is 0.55%.

To be noted is also that following the adoption of the IFRS 9 accounting standard and related adjustments to the financial statements included in the 5th update of Bank of Italy Circular no. 262, this item no longer includes the write-downs of interest on non-performing loans, interest that is calculated and recognised on the net value of the loan. From 1 January 2018, the interest from the release of the discounting component on the non-performing portfolio is also recognised under Item 10 "Interest income and similar revenues".

The valuation of loans is in line with the valuation method (policy) approved by the Board of Directors. The timely monitoring allowed an in-depth analysis of the existing portfolio, which allowed to continue the process of careful assessment and classification of positions with initial signs of impairment.

Portfolio value adjustments or write-backs are shown for imbalance with reference to the entire portfolio of performing loans.

Please note that, with reference to the calculation of expected losses on performing cash loans, as from 31 December 2019, the Parent Bank has adopted, pending the validation of the model by the Supervisory Authority, the AIRB bank specific parameters.

8.2 Net value adjustments for credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				Total	Total
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	31/12/2023	31/12/2022
			Write-offs	Other	Write-offs	Other						
A. Debt securities	(15)	(123)	-	-	-	-	161	-	-	-	23	(234)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To customers	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(15)	(123)	-	-	-	-	161	-	-	-	23	(234)

The table shows the value adjustments/write-backs for credit risk, or impairment as defined by IFRS 9, on financial assets classified in the fair value portfolio through other comprehensive income.

All debt securities in the portfolio of the Group at 31 December 2023 are included in the first and second stage.

SECTION 9 - GAINS (LOSSES) FROM CONTRACTUAL AMENDMENTS WITHOUT CANCELLATIONS - ITEM 140

9.1 Gains (losses) from contractual amendments: breakdown

The renegotiations of financial instruments that result in a change in the contractual conditions are accounted for based on the significance of the contractual amendment itself.
In particular, in the case of renegotiations considered insignificant, the gross amount is determined again by calculating the current value of the cash flows resulting from the renegotiation, at the original rate of the exposure. The difference between the gross amount of the financial instrument before and after the renegotiation of the contractual conditions, adjusted to consider the associated changes to the cumulative value adjustments, is recorded in the income statement as gain or loss from contractual amendments without cancellations.
With reference to the 2023 financial year, the contractual amendments without cancellations generated the following impacts:
gains: Euro 1,414 thousand;
losses: Euro 493 thousand;
overall difference: Euro +921 thousand.

In this regard, it should be noted that renegotiations are considered significant, formalised both through a change to the existing contract and through the execution of a new contract, which determine the extinction of the right to receive the cash flows in accordance with the original contract.
In particular, the rights to receive cash flows are deemed to be extinguished in the event of renegotiations that determine the introduction of contractual clauses such as to change the classification of the financial instrument itself, that determine a change in the currency of denomination or that are carried out at market conditions, therefore, do not constitute a credit concession.

Section 12 - Administrative expenses - item 190

12.1 Personnel expenses: breakdown

Type of expenses/Values	Total 31/12/2023	Total 31/12/2022
1) Employees	(144,240)	(141,764)
a) wages and salaries	(105,973)	(85,945)
b) social security contributions	(26,840)	(23,901)
c) severance pay	-	(596)
d) social security expenses	-	(76)
e) allocation to the provision for employee severance indemnity	(249)	(312)
f) allocation to the provision for pensions and similar obligations:	(7,392)	(6,311)
- with defined contribution	(7,392)	(6,311)
- with defined benefits	-	-
g) payments to external supplementary pension funds:	(3,016)	(1,853)
- with defined contribution	(3,016)	(1,853)
- with defined benefits	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other employee benefits	(771)	(22,770)
2) Other active personnel	-	(157)
3) Directors and statutory auditors	(2,242)	(1,579)
4) Retired personnel	-	-
Total	(146,483)	(143,500)

The cost for Directors and Statutory Auditors includes both the fixed remuneration and the attendance fees and expense reimbursements.

The increase compared to the previous year, amounting to approximately Euro 3.0 million, is to be understood as the combined effect of the contribution of the personnel costs of the subsidiary Banca di Cividale only for the second half of 2022 and not for the entire year, of the solidarity fund allocated at the end of 2022 for a total of Euro 18,6 million, which was not in place in 2023, the year in which instead the non-existent asset, linked to the recalculation of the fund itself on the basis of the definitive adhesion for Euro 4.1 million and of the increase due to the renewal of the banking national collective agreement, was posted.

12.2 Average number of employees by category

	Punctual 31/12/2023	Punctual 31/12/2022	Average 31/12/2023	Average 31/12/2022
Employees	1,741.00	1,728.00	1,731.00	1,696.00
a) Executives	29.00	31.00	31.00	34.00
b) Middle managers	768.00	522.00	649.00	615.00
c) Remaining employees	944.00	1,175.00	1,052.00	1,048.00
Other personnel	-	-	-	-
Total	1,741.00	1,728.00	1,731.00	1,696.00

The highest and average number of employees is expressed by conventionally considering the number of employees with part-time contracts at 50%, as set forth in the rules for drawing up the Financial Statements issued by the Bank of Italy.

12.3 Company's defined benefit pension funds: costs and revenues

The defined benefit pension funds include only retired employees.

The representation in the financial statements of the expenses related to this type of provision provides for the following:

- to record the adjustment of the actuarial estimates with a balancing entry in Shareholders' Equity without passing through the income statement;
- to continue to represent in the income statement the costs deriving from the discounting of the liability (interest cost), the expected return on investments, and, if applicable, the allocation made for personnel in service (service cost).

This accounting treatment allows for a more correct representation in the income statement of the typical banking activity, avoiding "interference" linked to insurance risks unrelated to the banking business. Actuarial estimates of the Pension Fund, in fact, depend on elements that cannot be influenced and are not related to the performance of banking activities, and in addition, the Fund represents an obligation to former employees whose related benefits, i.e. the provision of services, were rendered in previous periods.

12.4 Other employee benefits

	Total 31/12/2023	Total 31/12/2022
Education and training expenses	(335)	(654)
Reimbursement of medical expenses	(1,790)	(1,031)
Clothing	-	-
Other	1,354	(21,085)
Total	(771)	(22,770)

The table provides details of item 1.i) of the previous table 12.1 "Personnel expenses".

As at 31 December 2023, the item "Other" in this table is positive as it includes the non-existence asset accounted for on the provision for the previous year as part of the early retirement plan and the definition of the number of employees adhering to it.

12.5 Other administrative expenses: breakdown

	31/12/2023	31/12/2022
Indirect taxes and duties	(22,103)	(18,733)
Property rents	(517)	(493)
Movable assets rents	-	-
Machine rents	(85)	(202)
Maintenance costs for buildings and furniture used by the Group	(2,840)	(2,524)
Expenses for electricity, heating and water	(2,467)	(3,569)
Cleaning costs	(1,607)	(1,460)
Telephone expenses	(575)	(593)
Postal charges	(743)	(412)
IT system outsourcing service fee	(19,193)	(6,696)
Software maintenance and fees	(8,228)	(5,440)
Expenses for data transmission lines	(1,759)	(1,150)
Expenses for data processing performed by third parties	(3,715)	(1,133)
Expenses for services provided by Group companies	(15)	-
Expenses for other outsourcing services	(3,979)	(9,620)
Expenses and fees for services rendered by third parties	(1,655)	(2,383)
Expenses for the transport of valuables and security	(914)	(785)
Expenses for searches, information and debt collection	(2,959)	(2,144)
Expenses for fees to professionals	(14,522)	(15,037)
Expenses for printed matter and stationery	(420)	(317)
Advertising and promotions expenses	(4,042)	(3,672)
Expenses for insurance premiums	(1,563)	(958)
Expenses for membership fees	(18,511)	(15,515)
- of which contributions to resolution funds and deposit guarantee schemes	(17,253)	(14,586)
Other expenses	(4,116)	(2,822)
Total	(116,528)	(95,658)

The item "Other administrative expenses" recorded an increase of Euro 20.9 million, attributable, as already specified for other income statement tables, to the impact of the subsidiary Banca di Cividale for the entire year 2023 against only the second half of 2022.

There was a significant increase in fees for the outsourcing service of the IT system, also due to the migration of Banca di Cividale to the same outsourcer of the Parent Company which took place in the first weekend of July 2023. Expenses for software maintenance fees also increased due to the necessary developments following the integration of the subsidiary.

The contributions paid by the two banks to the resolution funds and the deposit guarantee schemes increased further.

Section 13 - Net allocations to provisions for risks and charges - item 200

13.1 Net allocations for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	31/12/2023	31/12/2022
Commitments to disburse funds	-	-
Financial guarantees issued	(4,975)	(3,084)
Total	(4,975)	(3,084)

13.2 Net allocations relating to other commitments and other guarantees issued: breakdown

This section is not completed; in fact, there are no allocations relating to other commitments and guarantees issued that are not already included in the previous section.

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

	31/12/2023	31/12/2022
1. Other provisions for risks and charges:		
1.1 legal disputes	(3,352)	(1,922)
1.2 personnel expenses	(99)	-
1.3 other	1,839	(3,889)
Total	(1,612)	(5,811)

Section 14 - Net value adjustments/write-backs to property, plant and equipment - item 210

14.1. Net value adjustments to property, plant and equipment: breakdown

Assets/Income component	Depreciation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment				
1. For business use	(18,336)	-	-	(18,336)
- Owned	(10,954)	-	-	(10,954)
- Rights of use acquired through leases	(7,382)	-	-	(7,382)
2. Held for investment purposes	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	(18,336)	-	-	(18,336)

For information on the "useful life" of property, plant and equipment for the calculation of depreciation, please refer to Section 9 of Assets.

Effective from 01.01.2019, the accounting standard IFRS 16 Leases was applied, which led to the recognition in the assets of the lessor of the right of use of the property, plant and equipment acquired through the lease; these assets must be depreciated over the contractual life of the asset and the relative depreciation charge is shown in this table.

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

15.1 Net value adjustments to intangible assets: breakdown

Assets/Income component	Amortisation (a)	Impairment losses (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets	(6,926)	-	-	(6,926)
of which: software	-	-	-	-
A.1 Owned	(6,926)	-	-	(6,926)
- Generated internally by the company	-	-	-	-
- Other	(6,926)	-	-	(6,926)
A.2 Rights of use acquired through leases	-	-	-	-
Total	-	-	-	(6,926)

For information on the "useful life" of intangible assets for the calculation of amortisation, please refer to Section 10 of Assets.

Section 16 - Other operating expenses and income - item 230

16.1 Other operating expenses: breakdown

	31/12/2023	31/12/2022
1. Other operating expenses		
Pension Fund (Section A/A1) - Allocation to the Provision of net revenues generated by invested assets	(3,419)	-
Pension Fund (Section A/A1) - Net losses generated by invested assets	-	(3,974)
Pension Fund (Section A/A1) - Impact of the discounting cost of liabilities (interest cost)	(626)	(342)
Maintenance costs - properties held for investment purposes	(173)	(108)
Costs from securitisation of receivables	(844)	(922)
Other charges	(4,723)	(8,330)
Total	(9,785)	(13,676)

The comparison with the previous year shows the significant reduction in the item "Other operating expenses" in which, for the subsidiary CiviBank, in the previous year, an amount of Euro 4,360 thousand was recorded in relation to a penalty for early exit to be paid to the outsourcer.
The table shows the impact of the provision of income generated by the assets invested in the Section A/A1 pension fund, which is offset in Table 16.2 of other operating income below, under the heading of net income generated. In the previous year, on the other hand, the assets invested in the fund had generated losses and therefore the representation is mirrored.
In line with the previous year, the costs relating to the securitisation transactions carried out by the two banks.

16.2 Other operating income: breakdown

	31/12/2023	31/12/2022
1. Other operating income		
Rental income on properties held for investment purposes	1,754	1,817
Stamp duty recast	16,766	12,918
Recovery of substitute tax on medium/long-term loans	1,841	2,119
Pension Fund (Section A/A1) - Net revenues generated by invested assets	3,419	-
Pension Fund (Section A/A1) - Allocation to the provision of net losses generated by invested assets	-	3,974
Pension Fund (Section A/A1) - Impact of the expected return of the invested portfolio	626	342
Other income	5,840	113,706
Total	30,246	134,876

Please note that the previous year's figure under "Other income" included the amount of Euro 107,358 thousand, relating to the badwill recognised following the acquisition of the subsidiary Banca di Cividale and obtained as the positive difference between the acquisition price and the value of the equity share acquired after purchase price allocation activities.

Section 17 - Gains (losses) on equity investments - item 250

17.1 Gains (losses) on equity investments: breakdown

Income components/Sectors	Total 31/12/2023	Total 31/12/2022
1) Jointly controlled entities		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	-	-
2) Companies subject to significant influence		
A. Income	663	833
1. Revaluations	663	833
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other charges	-	-
Net result	663	833
Total	663	833

This table shows the Parent Bank's portion of profit recorded by the investment in Autosystem società di servizi in which it holds a 25% stake and which is consolidated using the equity method.

Section 18 - Net result from fair value measurement of property, plant and equipment and intangible assets - item 260

18.1 Net result from measuring property, plant and equipment and intangible assets at fair value (or revalued amount) or estimated realisable value: breakdown

Assets/Income component	Revaluations	Write-downs	Exchange rate differences		Net result
			Positive	Negative	
	(a)	(b)	(c)	(d)	(a-b+c-d)
A. Property, plant and equipment	9,307	(3,463)	-	-	5,844
A.1 For business use	4,332	(258)	-	-	4,074
- Owned	4,332	(258)	-	-	4,074
- Rights of use acquired through leases	-	-	-	-	-
A.2 Held for investment purposes:	4,975	(3,205)	-	-	1,770
- Owned	4,975	(3,205)	-	-	1,770
- Rights of use acquired through leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	-	-	-	-	-
B.1 Owned:	-	-	-	-	-
B.1.1 Generated internally by the company	-	-	-	-	-
B.1.2 Other	-	-	-	-	-
B.2 Rights of use acquired through leases	-	-	-	-	-
Total	9,307	(3,463)	-	-	5,844

The fair value measurement, determined on the basis of appraisals performed at least annually, was carried out for each property.

The total figure of Euro +5,844 thousand emerges from the assessment of a qualified third party, chosen from among the leading companies in the sector.

Section 19 - Value adjustments to goodwill - item 270

19.1 Value adjustments to goodwill: breakdown

This section is not completed as neither in the year 2023 nor in 2022 were any impairment losses recognised on goodwill.

Section 20 - Gains (losses) on disposal of investments - item 280

20.1 Gains (losses) on disposal of investments: breakdown

Income component/Sectors	Total 31/12/2023	Total 31/12/2022
A. Properties	339	2,753
- Gains on disposal	339	2,762
- Losses on disposal	-	(9)
B. Other assets	22	7
- Gains on disposal	24	10
- Losses on disposal	(2)	(4)
Net result	360	2,761

Section 21 - Income taxes for the year on current operations: breakdown - item 300

21.1 Income taxes for the year on current operations: breakdown

Income components/Sectors	Total 31/12/2023	Total 31/12/2022
1. Current taxes (-)	(5,549)	(37,626)
2. Changes in current taxes from previous years (+/-)	3	740
3. Reduction in current taxes for the year (+)	-	-
3.bis Reduction in current taxes for the year for tax credits pursuant to Law no. 214/2011 (+)	-	-
4. Change in prepaid taxes (+/-)	(33,495)	3,374
5. Change in deferred taxes (+/-)	197	5,729
6. Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)	(38,844)	(27,783)

Current taxes refer to the IRES payable from the tax consolidation and IRAP of the Parent Bank and other companies within the Group's scope. Significantly affecting the decrease in deferred tax assets are the taxation on the reversal portions of noble DTAs, as well as the tax effects on the reversal portions of components recognised in PPAs.

21.2 Reconciliation between theoretical tax expense and actual tax expense in the financial statements

	IRES	IRAP
Profit from current operations before tax	116,059	116,417
Non-deductible costs for IRAP purposes	-	27,908
Non-taxable revenues for IRAP purposes	-	(19,678)
Total	116,059	124,646
Theoretical tax charge (IRES 27.5% - IRAP 4.64%)	31,276	4,647
Permanent increases	1,487	1,245
Permanent decreases	(2,462)	(9)
Other increases/decreases	1,209	1,451
Value of taxes for the year	31,510	7,334

The difference between the theoretical tax charge and the actual tax charge described in this table is attributable to:

- the exemption/non-deductibility of capital gains/losses on securities falling within the scope of application of the so-called participation exemption;
- the substantial exemption of dividends received;
- the portion of subsidised income for ACE purposes, as well as
- other non-taxable/non-deductible components of a lower amount.

Section 22 - Profit (loss) from discontinued operations after tax - item 320

22.1 Profit (loss) from discontinued operations after tax: breakdown

Income components/Sectors	Total 31/12/2023	Total 31/12/2022
1. Income	-	-
2. Charges	(175)	(1,332)
3. Result of the valuation of the group of assets and associated liabilities	-	-
4. Gains (losses) on disposal	-	-
5. Taxes and duties	-	-
Profit (loss)	(175)	(1,332)

The values included in this table are attributable to the reclassification of the charges and income relating to the company Raetia SGR S.p.A. in liquidation, which is fully consolidated and allocated under "Assets held for sale", "Liabilities associated with assets held for sale" in the financial statements of the Parent Bank.

22.2 Details of income taxes relating to discontinued operations

	Amount 31/12/2023	Amount 31/12/2022
1. Current taxation (-)	-	-
2. Change in prepaid taxes (+/-)	-	-
3. Change in deferred taxes (-/+)	-	-
4. Income taxes for the year (-1+/-2+/-3)	-	-

This item is not recognised as the adjustment of the value of assets held for sale relating to participations under the PEX (participation exemption) regime does not represent a deductible component of the company's income.

Section 23 - Profit (loss) for the year attributable to minority interests - item 340

23.1 Details of item 340 "Profit (loss) for the year attributable to minority interests"

Company names	Total 31/12/2023	Total 31/12/2022
Equity investments in consolidated companies with significant minority interests		
1. Banca di Cividale S.p.A.	(4,044)	3,242
2.	-	-
3.	-	-
Other equity investments	-	-
Total	(4,044)	3,242

The figure represents the portion attributable to minority interests, equal to 20.9%, of the result of the subsidiary Banca di Cividale.

Section 24 - Other information

There is no further relevant information.

Section 25 - Earnings per share

Earnings/losses per share are calculated by dividing net profit/loss by the weighted average number of ordinary shares outstanding.

25.1 Average number of ordinary shares with diluted capital

Earnings per share are calculated on 59,834,474 shares, with 1,117,539 shares repurchased.

25.2 Other information

Earnings per share for the year amounted to Euro 1.31 (Euro 2.92 at 31 December 2022).

Part D
Consolidated Comprehensive Income

Part D - Consolidated Comprehensive Income

ANALYTICAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Items	31/12/2023	31/12/2022
10.	Profit (loss) for the year	82,212	172,141
	Other income components without reversal to the income statement	(11,721)	2,565
20.	- Equity securities designated at fair value through other comprehensive income:	(7,105)	5,418
	a) change in fair value	302	5,008
	b) transfers to other components of shareholders' equity	(7,408)	410
30.	Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness):	-	-
	a) change in fair value	-	-
	b) transfers to other components of shareholders' equity	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income:	-	-
	a) change in fair value (hedged item)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Property, plant and equipment	23,555	-
60.	Intangible assets	-	-
70.	Defined benefit plans	1,923	(4,001)
80	Non-current assets and groups of assets held for sale	-	-
90.	Portion of valuation reserves of equity-accounted investments	-	-
100.	Revenues or costs of a financial nature relating to insurance contracts issued	-	-
110.	Income taxes relating to other income components without reversal to the income statement	(6,651)	1,148
	Other income components with reversal to the income statement	5,892	(3,635)
120.	Foreign investment hedges:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Exchange rate differences:	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
140.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
150.	Hedging instruments (non-designated elements):	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
160.	Financial assets (other than equity securities) measured at fair value through other	8,684	(5,363)
	a) changes in fair value	45	(5,637)
	b) reversal to income statement	3,441	274
	- adjustments for credit risk	(23)	(26)
	- gains/losses on disposal	3,464	300
	c) other changes	5,198	-
170.	Non-current assets and groups of assets held for sale:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
180.	Portion of valuation reserves of equity-accounted investments:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- impairment losses	-	-
	- gains/losses on disposal	-	-
	c) other changes	-	-
190.	Revenues or costs of a financial nature relating to insurance contracts issued:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
200.	Revenues or costs of a financial nature relating to transfers under reinsurance:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
210.	Income taxes relating to other income components with transfer to the income statement	(2,791)	1,728
220.	Total other income components	17,614	(1,070)
230.	Comprehensive income (Item 10+220)	99,826	171,071
240.	Consolidated comprehensive income attributable to minority interests	4,784	(3,210)
250.	Consolidated comprehensive income attributable to the Parent Bank	95,042	174,281

Part E

Information on risks and related coverage policies

Part E - Information on risks and related coverage policies

Introduction

Role of Corporate Bodies

The Parent Bank Cassa di Risparmio di Bolzano S.p.A., since its transformation into a joint-stock company in 1992, has adopted the administration and control system characterised by the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting, and decided to maintain this so-called "traditional" system also following the entry into force of the 2003 corporate law reform. Indeed, although Cassa di Risparmio di Bolzano S.p.A. is a company with a single majority shareholder (therefore the presence of a stable majority) and with the remaining shareholding structure characterised by small shareholders, the Shareholders' Meeting has always considered it to be of primary importance the existence of a clear separation between management and control activities.

Moreover, since May 2015, the management system of Cassa di Risparmio di Bolzano S.p.A. is characterised by the presence of the Chief Executive Officer; a figure that, due to the provisions of the Articles of Association in force, must correspond with that of the General Manager.

The role and duties of the Parent Bank's Corporate Bodies are governed by specific Regulations (of the Board of Directors, of the Board of Statutory Auditors, of the Chief Executive Officer and General Manager and in the Articles of Association). In addition, within the Board of Directors, the Risk Committee (intra-board committee) has been established and is entrusted with the tasks set forth in the Supervisory provisions, as well as, since January 2016, with the functions previously assigned to the Associated Parties Committee, a committee that was repealed in January 2016.

In summary:

- the Board of Directors is assigned **strategic supervision** and **management functions**;
- the Chairman of the Board of Directors is responsible for the legal representation of the Parent Bank and the use of the free corporate signature; the Chairman monitors the performance of the company, supervises the execution of the resolutions of the administrative bodies and chairs the Shareholders' Meeting and the Board of Directors;
- the Chief Executive Officer and General Manager is assigned the task of collaborating with the Board of Directors in carrying out **management functions**, i.e. in implementing the guidelines resolved on by the Board of Directors in exercising its strategic supervision function;
- the Board of Statutory Auditors is assigned the **task of control**, i.e. verifying the adequacy and compliance of the organisational system, the risk management system, the capital self-assessment system and the internal control system with the requirements set forth by the law and supervisory regulations.

Periodically, the Board of Directors carries out its own self-assessment to verify the correct and effective functioning of the Board and its adequate composition. In particular, the Board assesses the adequacy:

- of the procedures adopted to define the composition of the Board of Directors with respect to those set forth in the Law and Supervisory provisions as well as in the Articles of Association;

- the activities actually carried out by the Board of Directors with respect to those indicated by the Law, Supervisory and Articles of Association provisions that govern the role of the Board in various matters.

The Board of Statutory Auditors also carries out a self-assessment on its composition and functioning.

The Parent Bank decided in 2009 to adopt a **Supervisory Body (SB)**, established pursuant to Legislative Decree no. 231/2001. Since May 2015, the Supervisory Body has been assigned to the Board of Statutory Auditors of the Parent Bank.

The legal and supervisory provisions, in particular on corporate governance, establish that the internal control system (*set of rules, functions, structures, resources, processes and procedures*) is a fundamental element of the overall system of governance of banks, which must guarantee, in particular, the achievement of strategic objectives and corporate policies, the containment of risks, the effectiveness and efficiency of business processes, the reliability and security of company information and IT procedures, compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures, in addition to the prevention of the risk of the Bank being involved in any unlawful activities.

Taking into account the aforementioned objectives, Cassa di Risparmio di Bolzano, also in its capacity as Parent Bank of the "Cassa di Risparmio di Bolzano" Banking Group, has defined a **corporate organisational model** for the Group as a whole and for the individual components of the Group, aimed at enabling the continuous implementation of the applicable legal and supervisory provisions. The Bank has set up a **system of internal controls and risk management** aimed at identifying, measuring, managing and monitoring the risks of the Parent Bank and the Group on a continuous basis, which involves the Corporate Bodies, the company's internal control functions as well as the Supervisory Body pursuant to Legislative Decree no. 231/2001, whose functions have been assigned to the Board of Statutory Auditors; the company appointed to perform the statutory audit of the accounts also participates in the control system.

In this logic, the overall activities that the Group and its members are required to carry out to achieve their business objectives in compliance with legal and supervisory provisions and, therefore, with a view to sound and prudent management, are broken down into "Areas", which group together sets of "processes".

- Governance and Risk Management;
- Business;
- Support.

An additional "Area" relating to the regulations pertaining to "Corporate Governance" is added to these Areas.

The taxonomy of processes was also updated in 2023 to take into account organisational needs and the evolution of the external regulatory context.

Each process is divided into "phases" and each phase into "sub-phases/activities" to be put in place for carrying out the phase itself. For each sub-phase/activity, the steps to be taken for the concrete application of the criteria are then regulated. This makes it possible to identify, for each legal and supervisory provision in force or issued from time to time, the specific activities applicable to the Group and its members, as well as to refer these activities to the relevant processes.
The corporate organisational system governs the processes that define the organisational model adopted, the role of the Corporate Bodies, the delegated powers structure, the information flows and the role of the Group's members, the operational/management and risk governance and management processes, as well as the control processes set forth in the supervisory provisions.
In summary, according to the organisational model adopted:

- the criteria to be followed and the activities to be carried out are proposed by the organisational units responsible for the processes, supported by the organisation function as regards organisational aspects, validated by the compliance function for observance of external provisions (so-called regulatory compliance) and implemented in internal first-level regulatory sources (process regulations/Policies) with the approval of the body with strategic supervisory functions or by the Chief Executive Officer and General Manager (according to the delegation of powers);

- the operating procedures to be adopted, together with any IT procedures to be used for carrying out so-called complex activities, are governed and regulated in second-level internal regulatory sources (operating rules) by the relevant Organisational units, on the basis of the information provided by the Process Managers, after verification by the Compliance function of alignment with external provisions.

According to the organisational model, the execution of processes is assigned to one or more organisational units included in the organisation chart.

The role and responsibilities of the aforementioned units are governed by the regulations of the organisational structure (General Company Regulation); the duties of the control functions are also regulated in the respective process rules.

The definition of the corporate organisational model governing processes ensures compliance with the general organisation principles, as set forth in the Supervisory Provisions and in particular allows to:

- distinguish operating and support units from control units;
- identify the professional skills needed to carry out the process phases;
- assign specific powers consistent with the management requirements of the process phases;
- define the information that must be exchanged between the functions responsible for carrying out the phases of the process;
- define the information to be transmitted by the units to the Corporate Bodies.

The individual organisational units periodically provide information, for the processes under their responsibility, on the activities carried out with respect to those governed by the law and supervisory provisions using a specific IT procedure indicating the company's processes and the units responsible for carrying them out. With reference to the deviations identified, adequate measures are then adopted for the purpose of their elimination, with a periodic monitoring of the state of implementation by the control functions.

Organisation of the risk management function

The Risk Management function reports directly to the body with strategic supervision, both hierarchically and functionally, collaborating with the management body and in particular with the Chief Executive Officer - General Manager with regard to administrative/management and information issues.

In compliance with the principle of independence, the Risk Management Department has the possibility to:

- access, with no restrictions, company and external data necessary for the performance of assigned tasks,
- access directly the corporate governance and control bodies,
- access financial resources, which can be activated independently, for the consultancy services necessary to carry out the assigned tasks.

The Risk Management Department is divided into the following structures:

- Credit Risk Service;
- Rating Desk Service;
- Financial Risks Service;
- Validation Service;
- Operational risks and cybersecurity;
- Integration of risks & ESG.

The responsibilities of the Risk Management Department can be summarised as follows:

- Ensuring the identification, measurement and monitoring, both timely and prospectively, of the significant risks that the Company incurs;
- Collaborating in defining and implementing the Risk Appetite Framework and the related risk measurement and monitoring procedures;
- Measuring and assessing risks, capital and liquidity (ICAAP and ILAAP processes) from a current, forward-looking perspective and in the event of stress, as well as formulating an opinion:
  - on the adequacy of the Tier 1 capital and the Group's total internal capital;
  - on the adequacy of the liquidity risk governance and management system;
- Collaborating in defining the procedures for the identification and management of the most significant transactions, as well as verifying their consistency with the RAF;
- Assessing the sustainability of the sizing of the equity and economic figures on the basis of the effects on the risk profile and capital adequacy;
- Analysing the risks of new products and services and those deriving from the entry into new operating and market segments, as well as assessing the potential risks associated with the outsourcing of certain business processes/activities;
- Verifying the correct performance of monitoring credit exposures (second level controls);
- Developing, validating and maintaining risk measurement, management and control systems in compliance with regulations and in line with best practice, interacting for this purpose with the functions responsible for the business processes concerned;
- Carrying out the validation of internal risk measurement models (both for management and regulatory purposes);
- Continuously assessing the adequacy of the risk management system;
- Carrying out Rating Desk activities;
- Supervising the quality of data for the information area where Risk Management is the Data Owner (AIRB parameters) by providing guidelines to ensure a certain qualitative level of the data under analysis, monitoring the resolution of the problems identified and preparing dedicated reporting to the corporate bodies.

Risk Appetite Framework

In compliance with supervisory provisions, the Group has defined the Risk Appetite Framework (RAF), i.e. the reference framework that defines, in line with the maximum assumable risk, the business model and the strategic plan,

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

Therefore, the formalisation of the RAF must be read in terms of integration of the overall system of internal controls and contributes to compliance with the principles of sound and prudent management.

The Risk Appetite Framework defines the Group's Risk Appetite, and is divided into "Equity", "Liquidity", "Business Risk" and "Profitability" categories in order to include all the relevant risk profiles to which the Group is exposed based on its operations. The RAF outlines the risk perimeter within which the company strategy is developed, defined at the time of planning, which in turn is outlined in the management policies of the main business areas (credit, commercial, investments, funding policy, etc.).

A further aspect that characterises the RAF is represented by the definition of the internal control system, consisting of a set of rules, functions, structures, resources, processes and procedures, which ensures, in compliance with of sound and prudent management, the following purposes:

- containment and prevention of risk within the limits indicated in the reference framework for determining the Group's risk appetite;
- effectiveness and efficiency of processes, as well as the reliability and security of company information and IT procedures;
- compliance of transactions with the law and supervisory regulations, as well as with internal policies, regulations and procedures.

The implementation of such approach is ensured through the interaction between the Risk Management Department and the Planning and Control Function which, following the performance of the processes pertaining thereto, prepare respectively the Risk Appetite Statement (RAS) and the Strategic Plan/Budget in a coordinated and consistent manner.

In compliance with the above, the RAF makes it possible to define (ex ante) an effective corporate risk management strategy and is a prerequisite for an efficient risk management process. Therefore, the process of defining the RAF cannot be misaligned with respect to the company's strategic choices and the related budgets, the particular business model adopted, as well as the overall risk level that derives from it.

The definition of the risk appetite is also a useful management tool that, in addition to allowing a concrete application of prudential provisions, allows to:

- strengthening the ability to govern and manage company risks;
- supporting the strategic process;
- facilitating the development and dissemination of an integrated risk culture;
- developing a rapid and effective system for monitoring and communicating the risk profile assumed.

The RAF, taking into account the strategic plan and the significant risks identified and having defined the maximum risk that can be assumed, indicates the types of risk that the Group intends to assume and sets the risk objectives and the tolerance thresholds. For each identified parameter, the following are defined:

- the level of risk appetite, i.e. the level of risk (overall or by type) that the Group intends to assume in order to pursue its strategic objectives;
- the level of risk tolerance, i.e. the maximum deviation from the risk appetite allowed; it must ensure sufficient margins to operate even under stress conditions within the maximum assumable risk;
- the level of risk capacity, i.e. the maximum level of risk that the Group is technically able to assume without violating the regulatory requirements or other restrictions imposed by the Supervisory Authority or by the shareholders.

In compliance with the above, the Parent Bank has defined the "risk appetite definition and control process", dividing it into the following steps:

- the first step contemplates the methods by which the Group's governing bodies define ex ante, in relation to the Group's risk-taking capacity, the level of risk within which to develop the business. The definition of the risk appetite is the result of a process that, starting from the identification and analysis of risks, identifies, qualifies and quantifies the risk objectives and the tolerance thresholds; these elements express, at the highest level, the guidelines of the governing bodies on the subject of risk assumption in the implementation of corporate strategies. The risk appetite is formalised in a specific document submitted to the Board of Directors for approval;

- the second step provides for the definition of the risk appetite in terms of operating limits and risk indicators. In particular:

- **operating limits** represent a risk mitigation and management tool as they guide and define the choices in the different segments (credit, financial, *etc.*). The operating limits are commensurate with the business model, strategic lines and operational complexity;
- the **risk indicators**, although they depend on risk management, are not directly or sufficiently governed by the operating units responsible for carrying out the individual processes, and therefore provide reference signals for verifying whether the quality of processes, exposures and related costs (in terms of both expected loss and unexpected loss) are consistent with the risk objectives.

The selection of operating limits and risk indicators and their calibration, in compliance with the risk objectives and tolerance thresholds approved by the Board of Directors, is delegated by the Board of Directors to the Risk Monitoring Committee;

- the third and last phase of the process defines the methods for controlling the risk objectives, the operating limits and the risk indicators, as well as for representing the results of the aforementioned controls with respect to the competent Corporate Bodies and functions. In this regard, it is specified that control means both the methods for qualifying the measurements of the phenomena subject to control with respect to what is defined in terms of risk objectives, tolerance thresholds, operating limits and risk indicators, and the procedures to be adopted in the event of violations ("**Escalation procedures**"). In particular, these procedures define the operating actions to be carried out in the specific situations identified with a clear evidence of the roles and responsibilities of the Bodies and functions involved and the related timelines.

The internal reporting system is aimed at ensuring full knowledge and governance of the risks as well as the verification of compliance with the RAF to the Corporate Bodies, Control Functions and individual functions involved in their management. The preparation and dissemination of reports at the various levels of the company is aimed at enabling effective controls over exposure to risks, highlighting the presence of anomalies in the risk evolution, verifying compliance with the risk appetite, operating limits and the risk indicators, raising awareness of the risks assumed and assumable, as well as providing the information necessary to monitor the effectiveness of risk mitigation tools. The reporting system also provides an overview of the mitigation initiatives undertaken and their progress.

Risk culture and vision

For the Group, the existence of a solid risk culture is a pre-requisite that certainly acts as a "facilitator" for the development and implementation of an effective RAF. At the same time, the adoption of the RAF generates a process of strengthening both the company culture on risks and the understanding of risks, at all levels, capable of effectively guiding and directing the behaviour of personnel (also on risks that are difficult to quantify) as this represents the foundation for effective risk management.

Together with the adequate definition of the RAF and a strong risk culture, the RAS (Risk Appetite Statement), which provides the strategic guidelines on the risk and the behaviour expected by the structure, contributes to spreading the risk culture of the Group among its personnel, especially if used in connection with a personnel performance evaluation system.

The nature of the Group and the principles set out in the Code of Ethics and in the internal regulations constitute the value framework that gives the company management consciously prudent directions, aimed on the one hand at strengthening the capital and on the other at guaranteeing adequate profitability as a basis for perpetuating the promotion and well-being of customers, shareholders and the reference area over time. The operating model is characterised by a strong focus on traditional brokerage, favouring the financial inclusion and access to credit by households and small and medium-sized enterprises. In the reference area it is focused not only on operations but also on decision-making powers, balancing the risks of concentration and conflict of interest with the adoption of specific regulations and governance controls.

The Group's risk appetite is therefore strongly conditioned by its institutional purpose and precisely in consideration of its "mission", the Group pursues a general management strategy based on a limited risk appetite and a conscious assumption thereof, which is expressed:

- in rejecting transactions that may compromise the profitability and soundness of the Group;
- in the non-admissibility of technical forms that involve the assumption of risks that are not consistent with the Group's risk objectives;
- in the diversification of exposures, in order to contain their concentration;
- in acquiring the guarantees necessary for risk mitigation;
- in the Group's focus on traditional brokerage activities;
- in simplifying business processes and the organisational structure.

Section 1 - Risks of the banking group

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

The development lines of credit activities are defined in the credit policy approved by the Board of Directors, and consequently incorporated in the annual budgets. For the granting of new loans, selective and specific criteria were defined, while for the classification of the existing loan, and the related allocations, criteria based on greater prudence were adopted in evaluating the prospects for recovery and, more generally, the prospective solvency of customers.

In order to guarantee an effective control of the credit risk, a monitoring system has been set up, based on a strict focus on anomalous phenomena and a timely evaluation of the data, in order to undertake, as quickly as possible, the appropriate actions to mitigate the risk.

Impacts deriving from the Ukrainian-Russian conflict

In order to consider the international macro-economic and geo-political context, the Group continued to monitor sectors potentially exposed to the geopolitical crisis, inflation and high energy prices. On a prudential basis, specific Overlay manoeuvres were carried out on the collective financial statements data on the customer brackets exposed to expensive energy.

Furthermore, given the importance of climate-related, social and governance (ESG) risks in the banking sector, the monitoring of sectors potentially exposed to Transition Risk was set up. The objective of monitoring is to represent the potential exposure of the loan portfolio to transition risk; it should be noted that the analysis is prudential in that it assesses the counterparties exclusively on the basis of the ATECO code and their belonging to a specific Climate Policy Relevant Sectors (CPRS) sector.

Starting from June 2023, this monitoring was also extended to the subsidiary CiviBank.

2. Credit risk management policies

2.1 Organisational aspects

The risk management process is defined as the set of rules, procedures, resources (human, technological and organisational) and control activities aimed at identifying, measuring or assessing, monitoring, preventing or mitigating and communicating to the appropriate hierarchical levels all risks assumed or assumable in the different segments and at the level of the Group's portfolio, taking advantage, in an integrated logic, of the reciprocal interrelationships and the evolution of the external context.

The credit risk management process is divided into the following phases:

- Credit risk identification;
- Credit risk measurement;
- Credit risk monitoring;
- Credit risk prevention/mitigation;
- Credit risk reporting and communication.

2.2 Management, measurement and control systems

Further details on the credit risk management process are provided below:

2.2.1 Credit risk identification

The first phase of the risk management process consists in framing the credit risk, defined as the "risk that a reduction in the value of a credit exposure is generated in correspondence with an unexpected worsening of the creditworthiness of the borrowing counterparties, including the manifest inability to fulfil all or part of their contractual obligations", and in the subsequent identification of the sources that generate it.

The transactions potentially exposed to credit risk can therefore be identified in all exposures, including financial instruments, present in the banking book and off-balance sheet, with the sole exception of positions allocated in the trading book.

The identification of the sources of credit risk is carried out by the Risk Management Function with the involvement of the operating functions that participate in the business processes of Credit and Finance, on which this risk is based. In particular, in order to identify the factors that generate credit risk, the Risk Management Function constantly monitors:

1. all loans (on-balance sheet exposures and off-balance sheet transactions);
2. transactions in financial instruments classified in the banking book;
3. cash and cash equivalents;
4. investments in property, plant and equipment and intangible assets.

The above elements referred to in points 2., 3. and 4., in compliance with supervisory provisions, fall within the scope of exposures subject to the regulation of the standardised methodology for the measurement of the capital requirement against credit risk.

2.2.2 Credit risk measurement

The measurement of credit risk must be assessed by distinguishing between measurement for regulatory purposes, identified in the measurement of the capital requirement against credit risk, and measurement for management purposes, which identifies synthetic risk measures and more detailed indicators functional to risk assessment and the subsequent monitoring phase.

The measurement of the capital requirement, carried out by the Financial Statements, Accounting and Reporting Service, is performed on a quarterly basis in compliance with the reporting obligations by applying the standardised methodology as defined in the Supervisory provisions.

The measurement of credit risk for operating purposes involves specific quantitative calculations on the evolution of loans to customers, credit quality, performance of impaired positions, the relative degree of coverage, as well as the composition of loans by rating class. The Parent Bank also strengthened the monitoring of the PD, LGD and EAD risk parameters.

Exposure to credit risk is also subjected, at least annually as part of the ICAAP process, to stress tests aimed at assessing the impacts on internal capital (and on equity) of extreme but plausible values of the risk factors.

2.2.3 Credit risk monitoring

The monitoring of credit risk refers to the activity of gathering and organising in a structured manner the results obtained from the measurement and assessment activities, as well as further quantitative and qualitative findings that support the analysis of exposure to the risks in question and the verification of compliance with the RAF indicators. It is divided into:

a. analysis of credit risk exposure, which considers:
    - the capital requirement;
    - the nature and composition of the portfolio;

- the quality of the portfolio;
- the degree of coverage of loans;
- the risk mitigation techniques.

Through the internal rating system, the Risk Management Function carries out specific analyses on the credit quality of both the overall credit portfolio and specific counterparties. In particular, these controls concern:

- an analysis of distribution by customer segment;
- an analysis of distribution by rating class of the overall portfolio and of each segment;
- an analysis of the composition of the loan portfolio and HTC securities divided by staging (Stage 1, Stage 2, Stage 3);
- an analysis of the transitions by staging (Stage 1, Stage 2, Stage 3);
- an analysis of the rating transitions (so-called "Transition matrices");
- an analysis of the evolution of the Probability of Default (PD), of the Loss Given Default (LGD) and of the Exposure to Default (EAD), as well as of the Expected Credit Loss (ECL);
- the accuracy/performance analysis of the models adopted;
- the analysis and monitoring of any borrower-based measures and related limits.
- the analysis of concentration in specific sectors, exposure classes and types of guarantees with evidence of those that are eligible or otherwise

a. the controls on Rating Attribution activities
   The Rating Desk structure was established to oversee the Rating Attribution process.
   The main responsibilities assigned to the Rating Desk structure include:
   - the assessment of Override requests;
   - controls on Quality Questionnaires;
   - second level controls on the adequacy of the Rating Attributions carried out by the Managers.

b. second-level control over the monitoring of credit exposures, both massive and sample-based.

   The controls of the Risk Management function in this area are defined in order to ensure, on a periodic basis, that the monitoring of credit exposures, the classification of exposures, the allocations and the recovery process are carried out in compliance with internal procedures and that the same procedures are effective and reliable, with reference to the ability to promptly report the emergence of anomalies as well as to ensure the adequacy of value adjustments and related losses.

2.2.4 Credit risk prevention/mitigation

In general, the management strategy aims to contain the degree of exposure to credit risk within the values indicated in the risk appetite.
The main mitigation measures implemented to prevent credit risk, whose objective is to achieve a conscious assumption of the risk, are identified by:

a. Prior opinions on the consistency with the RAF in the presence of most significant transactions;
b. Prior opinions on the adequacy of allocations and/or classification as part of the second-level monitoring of credit exposures;
c. Prior risk assessments with regard to new products and services, activities and markets;
d. Contribution to the definition and implementation of the credit policy and of the NPL plan in compliance with the risk objectives;
e. Appropriate decision-making procedures with reference to transactions with associated parties;
f. Definition and updating of the operating limits, i.e. the set of threshold values to be referred to in order to limit the exposure to the risk in question and guide the choices concerning the management of

credit risk. The criteria to be followed and the activities to be carried out for their identification are governed, in general for all risks, as part of the internal regulations on the Risk Appetite Framework.

With regard to credit risk mitigation (CRM) techniques, reference is mainly made to guarantees and any securitisation transactions, the management of which is primarily the responsibility of the Lending Department and is governed in the Policy on the Governance of Credit Risk Mitigation and in the Credit Process Regulation.

2.2.5Credit risk reporting and communication

The reporting and communication of credit risk refers to the preparation of appropriate information to be provided to the Corporate Bodies and other functions regarding the risks assumed or assumable in the various segments, with the understanding, in an integrated logic, of the mutual interrelationships and the evolution of the external context.

2.3 Methods for measuring expected losses

Assessment of significant increase in credit risk (SICR)

During 2023, the Parent Bank continued its scrupulous monitoring of the loan portfolio in order to carefully identify and assess the potential impacts on specific customer segments in sectors considered particularly vulnerable due to the macroeconomic environment, inflation and the current geopolitical situation.

In order to consider the international macro-economic and geo-political context, the Group continued to monitor sectors potentially exposed to the geopolitical crisis, inflation and high energy prices. On a prudential basis, specific Overlay manoeuvres were carried out on the collective financial statements data on the customer brackets exposed to expensive energy.

Furthermore, given the importance of climate-related, social and governance (ESG) risks in the banking sector, the monitoring of sectors potentially exposed to Transition Risk was set up. The objective of monitoring is to represent the potential exposure of the loan portfolio to transition risk; it should be noted that the analysis is prudential in that it assesses the counterparties exclusively on the basis of the ATECO code and their belonging to a specific Climate Policy Relevant Sectors (CPRS) sector. Considering the general uncertainty of the macroeconomic context, as well as adopting a prudential approach to the satellite model, management overlays manoeuvers were carried out on specific counterparties under observation or belonging to economic sectors potentially exposed to high energy costs; the same methodological approach was extended to the subsidiary CiviBank following integration of IT systems.

Measurement of expected losses

During 2023, the models for measuring expected losses were constantly monitored and updated by the Parent Company based on the macroeconomic forecasts provided by Prometeia. In the second half of 2023, the multi-scenario satellite geo-sectoral model was adopted for the calculation of the collective financial statements. Starting from September 2023, the same methodological approach was extended to the subsidiary CiviBank following integration of IT systems.

In consideration of the macroeconomic and geo-political context, in addition to the developments carried out on the satellite model, we also intervened with Management Overlay manoeuvres on sectors potentially exposed to expensive energy.

2.4 Credit risk mitigation techniques

In order to mitigate credit risk, the Parent Bank acquires typical bank guarantees, such as collateral on properties and financial instruments and personal guarantees.

The Parent Bank is carefully monitoring the use of these techniques in order to ensure their correct application also for the purposes of potential capital savings.

The management of real estate collateral reflects the provisions of current regulations; the property subject to mortgage collateral is appraised by an independent appraiser and the monitoring measures provided for by the regulations are activated on the property itself, and in particular:

- the value of residential properties is verified with the aid of statistical methods at least every three years or more frequently, also by making new estimates, in the event that market conditions are subject to significant changes;
- the value of non-residential properties is verified with the aid of statistical methods every year or more frequently, also by making new estimates, in the event that market conditions are subject to significant changes;
- every 3 years, a new estimate is made by an independent expert for all exposures exceeding Euro 3 million or more than 5% of the Bank's Own Funds.

The values of real estate collateral for positions classified as unlikely to pay or bad loans, regardless of the amount, are updated with a new appraisal by an independent appraiser at a maximum frequency of 12 months or sooner if deemed necessary.

The standard contracts adopted by the Parent Bank comply with the general requirements aimed at ensuring legal certainty and the effectiveness of the guarantees themselves.

The Group does not activate offsetting agreements relating to on- and off-balance sheet transactions; there are also no credit derivatives.

3. Impaired credit exposures

The criteria adopted by the Group regarding the classification of receivables are consistent with the International Accounting Standards and with the instructions of the Bank of Italy and EBA (European Banking Authority).

The classification in the "Bad loans" category refers to on- and off-balance sheet exposures to a party in a state of insolvency (even if not legally ascertained) or in substantially comparable situations, regardless of any loss forecasts made by the Parent Bank.

Beyond the situations ascertained by official acts (bankruptcy procedures, recurrent protests, injunctions, etc.), the difficulty shown by the customer in overcoming persistent economic-financial imbalances, such as to confirm - albeit with a variable degree of probability - its inability to meet the commitments undertaken, is of relevance.

The classification into the category Unlikely to pay is the result of the Parent Bank's opinion on the improbability that, without recourse to actions such as enforcement of guarantees, the debtor will fully meet its credit obligations (in terms of principal and/or interest).

The Guidelines on the new definition of default (EBA/GL/2016/07) have also introduced specific rules to evaluate the propagation of the default on the basis of existing links with positions (co-obligations, group links, etc.) classified as default.

The classification in the risk category of impaired past due and/or overrun exposures concerns on-balance sheet exposures, other than those classified as bad loans or unlikely to pay, which, at the reporting reference date, are past due or overrun.

The past due or overrun must be continuous, or must persist for 90 consecutive days.

In the case of exposures repayable by instalments, the rules set out in Article 1193 of the Civil Code apply to the allocation of payments to the individual instalments past due, unless otherwise specifically agreed in the contract.

In the case of "revocable" overrun facilities in which the credit limit granted has been exceeded (even if as a result of the capitalisation of interest), the default occurs - whichever occurs first - from the date of the first non-payment of interest resulting in the overrun or from the date of the first demand for repayment of principal.

For the purpose of verifying the thresholds, all exposures of the reporting bank to the same debtor are taken into consideration. Equity exposures are excluded.

For the purpose of determining the amount of past due and/or overrun exposure, there is no provision for offsetting past due amounts against open and unused credit lines (available margins).

The overall exposure to a debtor must be recognised as impaired past due and/or overrun, if, on the reference date of the report, the amount of the principal, interest or commissions not paid on the date in which it was due exceeds both of the following thresholds:

a) absolute limit equal to Euro 100 for retail exposures and equal to Euro 500 for exposures other than retail ones.
b) 1% relative limit given by the ratio of the past due and/or overrun total amount to the total amount of all credit exposures regarding the same debtor (including the exposures sold and not derecognised for financial statements purposes).

In accordance with the provisions of the Guidelines on the new definition of default (EBA/GL/2016/07), it is necessary to consider the following credit obligations among the past due and/or overrun exposures due to the propagation of default:

a) all joint credit obligations to a pool of debtors (co-obligations) and all individual exposures to such debtors where a joint credit obligation of two or more debtors is classified as past due, unless there is justification for inappropriately recognising the default of individual exposures;
b) the credit obligations of a person fully responsible for the obligations of a company, if the latter is classified under past due (e.g. surety shareholder of a partnership).

The technical-organisational procedures used in the management and control of non-performing loans are structured in relation to the degree of anomaly of the position.

With regard to unlikely to pay and impaired past due and overrun exposures, performance monitoring is carried out with periodic reviews in order to assess:

- the reversibility or otherwise of the economic-financial difficulties of the counterparties;
- the regularity of the repayment plans presented by debtors;
- in the case of positions subject to forbearance, it is necessary to examine the outcome of the initiatives taken to normalise/restructure the loans (repayment plans, revisions of the technical form of use, etc.)
- determination on a regular basis according to the policy in force of the forecasts of losses for loans classified as "unlikely to pay" and for exposures past due and overrun.

With reference to bad loans, recovery and monitoring activities are carried out by essentially performing the following activities, which also include periodic reviews of the positions:

- revocation, for the new positions, of credit lines and solicitation of debtors to settle their exposures;
- initiation and completion of acts of penalty through the assistance of internal and/or external lawyers towards debtors who have neither responded to solicitations nor submitted debt repayment plans;
- assessment, for positions already in recovery, of compliance with the expected repayment plans;
- determination on a regular basis according to the policy in force of the loss forecasts for loans classified as bad loans.

As far as the return of impaired exposures to performing status is concerned, with therefore also their reallocation among live loans (to default) if non-performing, this is carried out in compliance with current legislation and with the debtor's recovery of full solvency conditions and the regularisation of the risk position and evidence of the restoration of the debtor's economic and financial capacity.

3.1 Management strategies and policies

Non-performing loans include past due and/or overrun loans, unlikely to pay loans (UTP) and bad loans. Its regulatory definition is established by the Bank of Italy "Matrix of Accounts" - Circular no. 272 of 30 July 2008, as updated, in compliance with European legislation. Non-performing loans also include non-performing exposures subject to forbearances that correspond to the "non-performing exposures with forbearance measures" as defined in Annex V of the Executive Regulation of the Commission 680/2014 of 16/04/2014 as amended by the Executive Regulation of the Commission 1627/2018 of 09/10/2018.

The main levers for the management of non-performing loans are as follows:

1. on a preliminary basis, limiting the inflow of new non-performing loans with proactive management at various levels, also combined and/or with escalation (sales network, phone collection, centralised management with ad hoc structure, etc.);
2. have an appropriate and updated set of information relevant for management purposes, with particular relevance of the Loss Given Default, and continue with an adequate historicisation of the information considered strategic and functional to be able to draw up an efficient recovery plan consistent with management strategies of the NPL portfolio in line with the reduction objectives that the Bank has provided for in the NPL Plan approved by the Board of Directors according to the defined time horizon;
3. continuously monitor the performance of the NPL portfolio in terms of effectiveness, efficiency and compliance with the NPL Plan approved by the Board of Directors.

3.2 Write-offs

The Write-off, as defined in Circular no. 262 Credit and Financial Supervision of 22 December 2005 - 5th update, is an event that gives rise to an accounting derecognition when there are no longer reasonable expectations of recovering the financial asset (see IFRS 9, paragraphs 5.4.4, B5.4.9 and B3.2.16 (r)). It may occur before the legal actions taken for the recovery of the financial asset are completed and does not necessarily involve the waiver of the legal right to recover the loan by the bank.

The write-off may concern the entire amount of a financial asset or a portion of it and corresponds to:

- the reversal of total value adjustments, as an offsetting entry to the gross amount of the financial asset, and
- for the part exceeding the total value adjustments, the impairment of the financial asset recognised directly in the income statement.

As part of the analysis of the impaired portfolio, the responsible structure within the Credit Institution evaluates, on a pre-defined basis, the credit positions for which it is considered that the prerequisites for write-off as mentioned above exist and are in accordance with the internally defined criteria, in order to submit a suitably motivated proposal for the partial or total derecognition of the receivable to the competent decision-making body.

3.3 Purchased or originated impaired financial assets

The accounting standard IFRS 9 (B 5.4.7) identifies the "Purchased Originated Credit Impaired" positions, known as "POCI", i.e. exposures that are impaired on the date of purchase or on which they originated.

If, upon initial recognition, a credit exposure is recorded under item 30. "Financial assets measured at fair value through other comprehensive income" or 40. "Financial assets measured at amortised cost", is impaired, it is classified as "Purchased or Originated Credit Impaired - POCI".

A financial asset is considered impaired at the time of initial recognition because the credit risk is very high or, in the case of a purchase, it is acquired with large discounts. With reference to financial assets classified as "POCI" at the time of their initial recognition, the effective interest rate must be "adjusted" for impairment losses measured over the expected life of the instrument (Credit-adjusted EIR). The rate thus determined must be applied to the net carrying amount of the financial asset from the moment of its initial recognition. However, this does not mean that an effective interest rate adjusted for the loan should be applied just because the financial asset presents a high credit risk at the time of initial recognition.

At the reporting date, the Bank should recognise only cumulative changes in expected losses over the life of the loan from the time of initial recognition as a provision to cover losses on purchased or originated impaired financial assets.

For purchased or originated impaired financial assets, the expected losses on loans must be discounted using the effective interest rate adjusted for the loan, determined at the time of initial recognition.

Cassa di Risparmio di Bolzano identifies as "Purchased or originated impaired financial assets", "POCI", in compliance with IFRS 9 and on the basis of internal methodologies, the following types of financial assets (loans):

- credit exposures already originated with impaired status (stage 3);
- credit exposures originated as a result of restructuring transactions of impaired exposures that resulted in the origination of new loans, which are significant in absolute or relative terms, proportionally to the amount of the original exposure. In this regard, in order to be considered significant, the origination of new loans must amount to more than 10% of the value of the previously outstanding restructured positions. The disbursements of new loans of less than 10% of the restructured positions, but of an amount exceeding Euro 500 thousand, will also be considered as "POCI";
- credit exposures purchased with impaired status.

It should be noted that in the case of the granting of new credit lines, only the new ones will be considered "POCI". If instead the restructured position replaces previous positions and, on the basis of the criteria defined above, a "POCI" financial asset is configured, the entire restructured position will be considered as such.

4. Financial assets subject to commercial renegotiations and exposures subject to forbearances

In the face of the debtor's credit difficulties, the exposures may be subject to changes in the contractual terms in favour of the debtor in order to make the repayment sustainable. Depending on the subjective characteristics of the exposure and the reasons underlying the debtor's credit difficulties, the changes may take effect in the short term (temporary suspension from payment of the principal amount of a loan or extension of a maturity) or in the long term (extension of the duration of a loan, revision of the interest rate) and lead to the classification of the exposure (both performing and impaired) as "forborne". Forborne exposures are subject to specific provisions in terms of classification, as indicated in the ITS EBA 2013-35; if the forbearance measures are applied to performing exposures, these fall within the category of stage 2 exposures. All exposures classified as "forborne" are included in specific monitoring processes by the relevant corporate functions.

Specifically, these functions, through the support of adequate IT procedures, monitor the effectiveness of the measures granted, identifying any improvements or worsening in the customer's financial position after the forbearance. If, at the end of the monitoring period, the position complies with all the criteria envisaged by the relevant legislation, said position is no longer considered among the "forborne" loans; otherwise it continues to remain among the "forborne" exposures.

The commercial network has the right, should it deem it appropriate, to revise the conditions applied to customer exposures even in the absence of financial difficulties, within the scope of the autonomy in force from time to time.

In this case, the exposure does not fall within the category of "forborne" exposures.

SECTION 1 - RISKS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Quantitative disclosure

A. Credit quality

A.1 Impaired and non-impaired credit exposures: amounts, value adjustments, trends and economic breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amounts)

Portfolios/quality		Bad loans	Unlikely to pay	Impaired past due exposures	Non-impaired past due exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost		22,378	160,471	3,616	39,951	14,248,095	14,474,512
2. Financial assets measured at fair value through other comprehensive income		-	-	-	-	282,141	282,141
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value		-	-	-	-	7,373	7,373
5. Financial assets held for sale		-	-	-	-	-	-
Total	31/12/2023	22,378	160,471	3,616	39,951	14,537,609	14,764,026
Total	31/12/2022	22,113	167,557	2,899	24,085	14,834,054	15,050,708

Pursuant to the instructions provided by the Bank of Italy for the preparation of the financial statements, for the purposes of the quantitative disclosure on credit quality shown in this and in the following tables, it should be noted that:

- the term "credit exposures" excludes equity securities and UCITS units
- the term "exposures" includes equity securities and UCITS units.

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net amounts)

Portfolios/quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	379,753	(193,288)	186,465	33,060	14,343,340	(55,294)	14,288,046	14,474,512
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	282,424	(283)	282,141	282,141
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	7,373	7,373
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2023	379,753	(193,288)	186,465	33,060	14,625,764	(55,577)	14,577,561	14,764,026
Total 31/12/2022	366,489	(173,920)	192,569	54,371	14,900,794	(50,463)	14,858,139	15,050,708

A.1.2 Breakdown of financial assets by portfolio and by credit quality (gross and net amounts)

Portfolios/quality	Assets of obvious poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	41,841
2. Hedging derivatives	-	-	37,825
Total 31/12/2023	-	-	79,666
Total 31/12/2022	-	-	88,030

SECTION 2 - RISKS OF PRUDENTIAL CONSOLIDATION

A.1.1 Prudential consolidation - Breakdown of financial assets by past due brackets (carrying amounts)

Portfolios/risk stages	First stage			Second stage			Third stage			Purchased or originated impaired		
	Up to 30 days	For over 30 days up to 90 days	Over 90 days	Up to 30 days	For over 30 days up to 90 days	Over 90 days	Up to 30 days	For over 30 days up to 90 days	Over 90 days	Up to 30 days	For over 30 days up to 90 days	Over 90 days
1. Financial assets measured at amortised cost	8,730	-	3,342	3,056	22,659	2,110	1, 146	14,134	36,168	754	826	16,772
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	8,730	-	3,342	3,056	22,659	2,110	1, 146	14,134	36,168	754	826	16,772
Total 31/12/2022	5,229	-	-	5,883	12,180	770	2,987	15,817	24,208	743	4,394	26,121

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: trend in total value adjustments and total allocations

Reasons/Stages of risk	Total value adjustments											
	Assets included in the first stage						Assets included in the second stage					
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs
Opening total adjustments	119	15,875	165	-	119	16,039	-	34,185	141	-	141	34,186
Increases from purchased or originated financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Derecognitions other than write-offs	(53)	(1,852)	(39)	-	(1)	(1,944)	-	(3,066)	-	-	-	(3,066)
Net value adjustments/write-backs for credit risk (+/-)	72	1,907	34	-	(19)	2,035	-	8,873	(18)	-	(18)	8,874
Contractual amendments without cancellations	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	(148)	-	-	-	(148)	-	(496)	-	-	-	(496)
Total closing adjustments	138	15,782	160	-	99	15,982	-	39,496	123	-	123	39,498
Recoveries from collections on financial assets subject to write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recognised directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-

A.1.2 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: trend in total value adjustments and total allocations

Reasons/Stages of risk	Total value adjustments											Total allocations on commitments to disburse funds and financial guarantees issued				Total
	Assets included in the third stage						Purchased or originated impaired financial assets									
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Purchased and/or originated impaired commitments to disburse funds and financial guarantees issued	
Opening total adjustments	-	171,721	-	-	171,739	202	2,048	-	-	1,978	70	914	1,899	9,565	2,866	239,490
Increases from purchased or originated financial assets	-	13,974	-	-	13,974	-	X	X	X	X	X	61	-	-	-	15,376
Derecognitions other than write-offs	-	(20,417)	-	-	(20,350)	(67)	(123)	-	-	(121)	(3)	(268)	(431)	(2,768)	-	(26,797)
Net value adjustments/write-backs for credit risk (+/-)	-	25,872	-	-	25,391	481	12,910	-	-	12,604	306	401	1,601	5,987	-	34,220
Contractual amendments without cancellations	-	1	-	-	1	-	-	-	-	-	-	-	-	-	-	2
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not recognised directly in the income statement	-	(15,607)	-	-	(15,607)	-	-	-	-	-	-	-	-	-	-	(15,607)
Other changes	-	643	-	-	983	(339)	(2,612)	-	-	-	-	9	(51)	41	-	(2,614)
Total closing adjustments	-	176,187	-	-	176,131	277	12,223	-	-	14,461	373	1,117	3,018	12,825	2,866	244,070
Recoveries from collections on financial assets subject to write-offs	-	176	-	-	176	-	-	-	-	-	-	-	-	-	-	176
Write-offs recognised directly in the income statement	-	(175)	-	-	(175)	-	-	-	-	-	-	-	-	-	-	(175)

A.1.3 Prudential consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different stages of credit risk (gross and nominal amounts)

Portfolios/risk stages		Gross amounts/nominal amount					
		Transfers between first stage and second stage		Transfers between second stage and third stage		Transfers between first stage and third stage	
		From first stage to second stage	From second stage to first stage	From second stage to third stage	From third stage to second stage	From first stage to third stage	From third stage to first stage
1. Financial assets measured at amortised cost		761,084	423,962	60,818	10,111	44,125	1,079
2. Financial assets measured at fair value through other comprehensive income		-	170	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued		51,315	34,161	9,488	7	1,646	298
Total	31/12/2023	812,399	458,293	70,306	10,118	45,771	1,377
Total	31/12/2022	886,114	349,563	65,066	12,274	68,171	2,152

A.1.4 Prudential consolidation - On- and off-balance sheet credit exposures to banks: gross and net amounts

Types of exposures/values	Gross exposure					Total value adjustments and total allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. On-balance sheet credit exposures												
A.1 On demand	897,420	897,420	-	-	-	112	112	-	-	-	897,308	-
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	897,420	897,420	-	X	-	112	112	-	X	-	897,308	-
A.2 Other	359,384	357,215	-	-	-	349	349	-	-	-	359,035	-
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) Non-impaired past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	359,384	357,215	-	X	-	349	349	-	X	-	359,035	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	1,256,804	1,254,635	-	-	-	461	461	-	-	-	1,256,343	-
B. Off-balance sheet credit exposures												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	279,740	8,054	-	X	-	1	1	-	X	-	279,739	-
Total (B)	279,740	8,054	-	-	-	1	1	-	-	-	279,739	-
Total (A+B)	1,536,544	1,262,689	-	-	-	462	462	-	-	-	1,536,082	-

A.1.5 Prudential consolidation - On- and off-balance sheet credit exposures to customers: gross and net amounts

Types of exposures/values	Gross exposure					Total value adjustments and total allocations					Net exposure	Total partial write-offs*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. On-balance sheet credit exposures												
a) Bad loans	71,687	X	-	62,648	9,038	49,308	X	-	47,940	1,368	22,379	33,060
- of which: forborne exposures	20,571	X	-	16,543	4,029	13,099	X	-	11,735	1,364	7,472	2,208
b) Unlikely to pay	303,552	X	-	283,127	20,424	143,081	X	-	142,453	628	160,471	-
- of which: forborne exposures	175,380	X	-	162,352	13,028	92,636	X	-	92,020	616	82,744	-
c) Impaired past due exposures	4,515	X	-	4,494	21	899	X	-	899	-	3,616	-
- of which: forborne exposures	11	X	-	11	-	2	X	-	2	-	9	-
d) Non-impaired past due exposures	40,926	13,655	30,621	X	53	974	42	932	X	-	39,952	-
- of which: forborne exposures	3,405	286	3,405	X	-	150	-	150	X	-	3,255	-
e) Other non-impaired exposures	14,270,548	12,735,045	1,702,442	X	2,880	54,255	15,522	38,687	X	45	14,216,293	-
- of which: forborne exposures	157,489	6,994	155,502	X	1,989	4,481	-	4,441	X	40	153,008	-
Total (A)	14,691,228	12,748,700	1,733,063	350,269	32,416	248,517	15,564	39,619	191,292	2,041	14,442,711	33,060
B. Off-balance sheet credit exposures												
a) Impaired	79,102	X	-	79,102	-	15,498	X	-	15,498	-	63,604	-
b) Non-impaired	4,635,126	3,780,382	113,681	X	-	4,721	1,207	3,513	X	-	4,630,405	-
Total (B)	4,714,228	3,780,382	113,681	79,102	-	20,219	1,207	3,513	15,498	-	4,694,009	-
Total (A+B)	19,405,456	16,529,082	1,846,744	429,371	32,416	268,736	16,771	43,132	206,790	2,041	19,136,720	33,060

The following table shows the total value adjustments on financial assets measured at amortised cost. The gross amount corresponds to the carrying amount of the financial assets, gross of total value adjustments and net of total write-offs.

Set out below, in tabular form, is information on the gross value, total value adjustments broken down by risk stage and by "impaired acquired or originated" of loans outstanding at the reporting date that constitute new liquidity provided through public guarantee mechanisms issued against the COVID-19 scenario. These new loans include, inter alia, financial assets recognised as a result of forbearance measures that led to a refinancing with derecognition of the original asset and the recognition of a new loan, or a restructuring of several debts with the recording of a new loan in the financial statements.

Item	gross amount						value adjustments					
		non-impaired			impaired			non-impaired			impaired	
			of which: exposures subject to forbearance measures	of which: stage 2		of which: exposures subject to forbearance measures			of which: exposures subject to forbearance measures	of which: stage 2		of which: exposures subject to forbearance measures
New loans provided through public guarantee mechanisms - Covid-19	631,127	610,890	14,358	136,327	20,238	2,789	(6,814)	(934)	(101)	(560)	(5,880)	(977)

The hedging ratios of on-balance sheet loans to customers are, therefore, as follows:

	31/12/2023	31/12/2022
Loans classified as bad loans	68.8%	68.0%
Loans classified as unlikely to pay	47.1%	42.7%
Non-performing loans	50.9%	47.5%
Performing loans	0.55%	0.49%

A.1.6 Prudential consolidation - On-balance sheet credit exposures to banks: trend in gross impaired exposures

This table is not shown as there are no on-balance sheet credit exposures to banks.

A.1.6 bis Prudential consolidation - On-balance sheet credit exposures to banks: trend in gross forborne exposures broken down by credit quality

This table is not shown as there are no on-balance sheet credit exposures to banks.

A.1.7 Prudential consolidation - On-balance sheet credit exposures to customers: changes in gross impaired exposures

Reasons/Categories	Bad loans	Unlikely to pay	Impaired past due exposures
A. Opening gross exposure	69,146	293,773	3,568
- of which: exposures sold but not derecognised	-	1,088	-
B. Increases	51,649	115,433	4,285
B.1 inflows from non-impaired exposures	5,315	91,856	4,207
B.2 inflows from purchased or originated impaired financial assets	-	108	-
B.3 transfers from other categories of impaired exposures	23,479	1,501	32
B.4 contractual amendments without cancellations	-	-	-
B.5 other increases	22,855	21,968	46
C. Decreases	49,109	105,658	3,339
C.1 outflows to non-impaired exposures	-	10,857	625
C.2 write-offs	17,227	3,836	-
C.3 collections	17,147	67,664	658
C.4 gains on disposals	8,915	-	-
C.5 losses on disposal	675	-	-
C.6 transfers to other categories of impaired exposures	69	22,887	2,056
C.7 contractual amendments without cancellations	-	-	-
C.8 other decreases	5,076	414	-
D. Closing gross exposure	71,686	303,548	4,514
- of which: exposures sold but not derecognised	-	822	18

A.1.7bis Prudential consolidation - On-balance sheet credit exposures to customers: trend in gross forborne exposures broken down by credit quality

Reasons/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	186,128	267,473
- of which: exposures sold but not derecognised	331	3,004
B. Increases	95,688	48,984
B.1 inflows from non-impaired non-forborne exposures	17,958	26,591
B.2 inflows from non-impaired forborne exposures	21,484	X
B.3 inflows from impaired forborne exposures	X	10,209
B.4 inflows from impaired non-forborne exposures	27,330	-
B.5 other increases	28,916	12,184
C. Decreases	85,854	155,562
C.1 outflows to non-impaired non-forborne exposures	X	73,277
C.2 outflows to non-impaired forborne exposures	10,209	X
C.3 outflows to impaired forborne exposures	X	21,484
C.4 write-offs	5,520	-
C.5 collections	33,670	53,312
C.6 gains on disposals	3,606	-
C.7 losses on disposal	675	-
C.8 other decreases	32,174	7,489
D. Closing gross exposure	195,962	160,895
- of which: exposures sold but not derecognised	319	592

A.1.8 Prudential consolidation - Impaired on-balance sheet credit exposures to banks: trend in total value adjustments

This table is not shown as there are no impaired on-balance sheet credit exposures to banks.

A.1.9 Prudential consolidation - Impaired on-balance sheet credit exposures to customers: trend in total value adjustments

Reasons/Categories	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. Opening total adjustments	47,034	8,362	126,216	88,248	669	23
- of which: exposures sold but not derecognised	-	-	380	221	-	-
B. Increases	29,344	8,149	64,352	31,746	1,036	2
B.1 value adjustments from purchased or originated impaired financial assets	-	X	7	X	-	X
B.2 other value adjustments	19,830	2,826	62,965	31,322	1,005	2
B.3 losses on disposal	675	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	8,813	5,323	485	34	6	-
B.5 contractual amendments without cancellations	-	-	-	-	-	-
B.6 other increases	26	-	895	390	25	-
C. Decreases	27,070	3,411	47,486	27,357	806	22
C.1 write-backs from measurement	399	239	12,362	10,003	121	18
C.2 write-backs from collection	6,054	1,408	22,297	11,147	93	-
C.3 gains on disposal	1,241	-	-	-	-	-
C.4 write-offs	17,228	1,732	3,836	587	-	-
C.5 transfers to other categories of impaired exposures	32	32	8,683	5,322	589	2
C.6 contractual amendments without cancellations	-	-	-	-	-	-
C.7 other decreases	2,116	-	308	298	3	2
D. Total closing adjustments	49,308	13,100	143,082	92,637	899	3
- of which: exposures sold but not derecognised	-	-	432	319	4	-

A.3.1 Prudential consolidation - Secured on- and off-balance sheet credit exposures to banks

This table was not completed as there were no secured on- and off-balance sheet credit exposures to banks at 31 December 2023.

A.3.2 Prudential consolidation - Secured on- and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement loans				
			Properties - Mortgages	Properties - Loans for leases	Securities	Other collateral	Collective Bargain Agreements	Other derivatives				Public administrations	Banks	Other financial companies	Other parties	
								Central counterparties	Banks	Other financial companies	Other parties					
1. Secured on-balance sheet credit exposures:	8,131,024	7,918,330	4,918,505	153,329	139,554	601,311	-	-	-	-	-	1,039,805	28,441	99,723	558,864	7,539,532
1.1. fully secured	7,120,412	6,924,412	4,877,626	153,329	126,732	586,351	-	-	-	-	-	593,282	7,158	63,085	503,589	6,911,152
- of which impaired	315,429	160,934	122,860	3,291	914	3,227	-	-	-	-	-	23,589	201	714	6,100	160,896
1.2. partially secured	1,010,612	993,918	40,879	-	12,822	14,960	-	-	-	-	-	446,523	21,283	36,638	55,275	628,380
- of which impaired	28,351	14,680	729	-	341	387	-	-	-	-	-	7,856	124	199	1,167	10,803
2. Secured off-balance sheet credit exposures:	1,038,721	1,029,307	44,304	-	5,719	16,571	-	-	-	-	-	22,152	918	249,868	607,308	946,840
2.1. fully secured	821,026	818,712	44,304	-	2,280	11,797	-	-	-	-	-	12,207	304	241,558	505,689	818,139
- of which impaired	28,471	26,613	15,892	-	8	463	-	-	-	-	-	694	-	602	8,928	26,587
2.2. partially secured	217,695	210,595	-	-	3,439	4,774	-	-	-	-	-	9,945	614	8,310	101,619	128,701
- of which impaired	10,413	6,314	-	-	-	-	-	-	-	-	-	238	3	57	1,872	2,170

A.4 Prudential consolidation - Financial and non-financial assets obtained through the enforcement of guarantees received

This table is not filled in as there are no financial and non-financial assets obtained through the enforcement of guarantees received.

B. Breakdown and concentration of credit exposures

B.1 Prudential consolidation - Breakdown of on- and off-balance sheet credit exposures to customers by sector

Exposures/Counterparties	Public administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	505	314	-	-	12,879	34,981	8,995	14,014
- of which forborne exposures	-	-	31	100	-	-	4,366	8,422	3,076	4,577
A.2 Unlikely to pay	-	-	8,985	1,009	-	-	115,124	112,922	36,362	29,149
- of which forborne exposures	-	-	-	-	-	-	67,898	75,478	14,845	17,157
A.3 Impaired past due exposures	-	-	-	-	-	-	1,260	315	2,356	583
- of which forborne exposures	-	-	-	-	-	-	-	-	9	2
A.4 Non-impaired exposures	4,652,246	1,575	481,424	3,561	128,516	14	5,184,519	33,838	3,938,056	16,255
- of which forborne exposures	-	-	1,732	127	-	-	109,920	2,826	44,610	1,677
Total (A)	4,652,246	1,575	490,914	4,884	128,516	14	5,313,782	182,056	3,985,769	60,001
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	-	-	-	-	-	-	51,939	15,247	11,665	251
B.2 Non-impaired exposures	287,359	8	372,746	43	-	-	2,993,282	4,104	236,313	566
Total (B)	287,359	8	372,746	43	-	-	3,045,221	19,351	247,978	817
Total (A+B) 31/12/2023	4,939,605	1,583	863,660	4,927	128,516	14	8,359,003	201,407	4,233,747	60,818
Total (A+B) 31/12/2022	4,948,762	1,327	690,702	4,415	2,649	2	8,366,644	184,334	4,413,098	49,247

B.2 Prudential consolidation - Geographic breakdown of on- and off-balance sheet credit exposures to customers - Abroad

Exposures/Geographic areas		Italy		Other European countries		America		Asia		Rest of the world	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures											
A.1 Bad loans		20,998	47,406	1,380	1,902	-	-	-	-	-	-
A.2 Unlikely to pay		160,434	142,718	31	29	-	-	5	334	-	-
A.3 Impaired past due exposures		3,550	882	11	3	-	-	55	14	-	-
A.4 Non-impaired exposures		14,130,381	54,575	119,822	642	1,045	1	2,669	2	2,329	9
Total (A)		14,315,363	245,581	121,244	2,576	1,045	1	2,729	350	2,329	9
B. Off-balance sheet credit exposures											
B.1 Impaired exposures		63,367	15,498	238	-	-	-	-	-	-	-
B.2 Non-impaired exposures		3,870,692	4,717	18,263	5	3	-	742	-	-	-
Total (B)		3,934,059	20,215	18,501	5	3	-	742	-	-	-
Total (A+B)	31/12/2023	18,249,422	265,796	139,745	2,581	1,048	1	3,471	350	2,329	9
Total (A+B)	31/12/2022	18,260,861	236,601	153,824	2,324	1, 146	1	3,113	393	266	-

B.2 Prudential consolidation - Geographic breakdown of on- and off-balance sheet credit exposures to customers - Italy

Exposures/Geographic areas		Northwest Italy		Northeast Italy		Central Italy		Southern Italy and islands	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures									
A.1 Bad loans		959	7,301	19,993	39,805	23	60	24	241
A.2 Unlikely to pay		13,736	6,224	132,022	120,607	13,594	12,308	1,083	3,579
A.3 Impaired past due exposures		43	11	3,461	859	-	-	46	11
A.4 Non-impaired exposures		1,008,127	5,957	8,406,148	46,698	4,635,804	1,553	83,352	365
Total (A)		1,022,865	19,493	8,561,624	207,969	4,649,421	13,921	84,505	4,196
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		1,880	104	54,793	13,008	6,612	2,386	82	-
B.2 Non-impaired exposures		480,690	176	3,301,626	4,503	78,559	10	9,817	28
Total (B)		482,570	280	3,356,419	17,511	85,171	2,396	9,899	28
Total (A+B)	31/12/2023	1,505,435	19,773	11,918,043	225,480	4,734,592	16,317	94,404	4,224
Total (A+B)	31/12/2022	1,078,732	23,378	12,306,596	201,132	4,794,299	6,975	81,229	5,116

B.3 Prudential consolidation - Geographic breakdown of on- and off-balance sheet credit exposures to banks - Abroad

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	1,147,168	356	78,890	80	24,520	24	206	-	5,560	2
Total (A)	1,147,168	356	78,890	80	24,520	24	206	-	5,560	2
B. Off-balance sheet credit exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	17,290	-	27,023	-	300	-	1,869	1	199	-
Total (B)	17,290	-	27,023	-	300	-	1,869	1	199	-
Total (A+B) 31/12/2023	1,164,458	356	105,913	80	24,820	24	2,075	1	5,759	2
Total (A+B) 31/12/2022	1,360,823	335	67,625	27	29,309	27	3,749	6	1,797	2

B.3 Prudential consolidation - Geographic breakdown of on- and off-balance sheet credit exposures to banks - Italy

Exposures/Geographic areas		Northwest Italy		Northeast Italy		Central Italy		Southern Italy and islands	
		Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. On-balance sheet credit exposures									
A.1 Bad loans		-	-	-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-	-	-
A.3 Impaired past due exposures		-	-	-	-	-	-	-	-
A.4 Non-impaired exposures		147,364	205	51,645	84	948,159	66	-	-
Total (A)		147,364	205	51,645	84	948,159	66	-	-
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		-	-	15	-	-	-	-	-
B.2 Non-impaired exposures		17,019	-	271	-	-	-	-	-
Total (B)		17,019	-	286	-	-	-	-	-
Total (A+B)	31/12/2023	164,383	205	51,931	84	948,159	66	-	-
Total (A+B)	31/12/2022	196,489	198	28,231	60	1,136,103	77	-	-

B.4 Large exposures

At the end of the year, there are positions that constitute "Large exposures" according to the regulations in force since 1 January 2014 for:

(in thousands of Euro)

	Number of exposures	31.12.2022	
		Carrying amount	Weighted amount
Large exposures	11	9,170,714	776,259

As indicated in Bank of Italy Circular no. 285 of 17 December 2013 and subsequent updates, the matter "Large exposures" is governed:

- by the CRR, in particular by Part Four and by Article 493;
- by the European Commission regulations containing the regulatory technical standards;
- by CRD IV;
- by Articles 53 and 67 of the Consolidated Banking Act.

On the basis of the provisions, the table shows the number, the carrying amount and the weighted amount of the positions defined as "Large exposures", i.e. with exposure of an amount equal to or greater than 10% of the "eligible capital" at consolidated level; at 31 December 2023, the amount of eligible capital coincides with that of Own Funds.

The recognition criterion provides that for the definition of "Large exposure" reference must be made to the concept of "unweighted exposure", as opposed to the previous legislation that referred to "weighted exposure".

The positions subject to reporting are all attributable to customer/banks or groups of customers/banks with proven reliability and to the Public Administration entities.

"Large exposures" must in any case comply with the limit of 25% of the eligible capital.

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

QUALITATIVE INFORMATION

Pursuant to the regulations governing the preparation of the Financial Statements, it should be noted that securitisation transactions in which the originator is a bank belonging to the same banking group, and all the liabilities issued by the special purpose entity are subscribed at the time of issue by one or more companies belonging to the same banking group (so-called self-securitisations) are not included in this section.

The securitisations of performing loans carried out by the Bank are attributable to this type of transaction.

For details on these transactions, please refer to Section 3 "Liquidity risk" below.

This section, on the other hand, includes securitisation transactions, i.e., those in which, in exchange for the sale of receivables, the conditions for the transfer of risk and the consequent derecognition of the financial assets from the Group's financial statements are met, with the simultaneous recognition as assets of the Senior and Junior Notes issued by the securitisation special purpose entity.

BUONCONSIGLIO2 SECURITISATION TRANSACTION

These assets include the loans sold in the "Buonconsiglio 2" transaction in which a pool of banks have sold their non-performing loans to a securitisation special purpose entity named "Nepal". This is therefore a multi-originator sale of credit portfolios.

The Parent Bank participated in a multi-originator securitisation transaction called "Buonconsiglio 2" in which 22 banks took part, for a total value of non-performing loans sold of Euro 734 million.

The following parties were involved in the transaction:

- Banca IMI, as arranger;
- Cassa Centrale Banca (CCRES), as coordinator;
- Studio Legale Orrick, Herrington & Sutcliffe as legal advisor
- NEPAL SRL as the special purpose entity that purchased the receivables;
- Guber Banca Spa as servicer.

With regard to the Cassa di Risparmio di Bolzano share, the Parent Bank securitised 176 bad loans for a total of 272 positions for a total exposure of Euro 74.6 million, of which around Euro 1.8 million of lines already transferred to loss.

The transaction mainly concerned secured loans, amounting to 86.4% at Group level, and unsecured loans of 13.6%.

The majority of the securitised portfolio, equal to approximately 90.2%, is concentrated outside the province of Bolzano, the remainder is located in Alto Adige (9.8%). With regard to the main sectors of economic activities of the transferred debtors, almost half are active in Services and Construction, 24.4% are in Construction, 6.3% are in the Construction of machines and vehicles and 6.1% are private loans, while 4.8% are retail and commercial intermediaries. Other types of economic activities remain for approximately 8.7% of the portfolio sold.

The credit lines sold are composed of mortgages for 73.6%, current accounts for 25.4% and the remainder consists of other types of credit facilities.

The transaction established that, of the sale price of 27.09%, 70% is used for the subscription of Senior notes and 1.5% of Junior notes (retention rule).

The investors who have acquired the main shares of Junior securities are:

- Värde Partners (64.7%);
- Barclays Bank (23.8%);
- Guber Banca Spa (6.5%).

The extraordinary sale transaction presented itself as an important opportunity for:

- accelerating the process of reducing the stock of non-performing loans, allowing the NPL Ratio to be lowered by around 1.5%;
- reducing bad loans without significantly impacting the average coverage of the non-performing portfolio, thus without having significant effects on income statement costs;
- making the structures dedicated to the recovery of non-performing loans more efficient.

At 31 October 2018, i.e. at the cut-off date, the securitised portfolio had value adjustments of Euro 53.2 million against losses generated by the transaction of Euro 54.4 million, therefore involving a total cost of only Euro 1.2 million.

The securitisation transaction as described above was approved by the Bank's Board of Directors on 29 January 2019.

Please note that on the payment date of 16 October 2023, the vehicle repaid the Senior Notes in full; therefore, only the Junior tranche remains in the financial statements of the Parent Bank for a nominal amount of Euro 275 thousand, which has been fully written down.

LUZZATTI SECURITISATION TRANSACTION

Together with the subsidiary CiviBank, the Parent Bank Cassa di Risparmio di Bolzano participated in a multi-originator securitisation transaction called "POP Luzzatti NPLs 2022" in which 14 other banks took part, for a total value of non-performing loans sold of approximately Euro 545 million.
The following parties were involved in the transaction:

- Global Coordinator and Monitoring Agent: Luigi Luzzatti S.c.p.a.;
- Arranger: IMI – Intesa San Paolo;
- Legal advisors: Orrick Herrington & Sutcliffe LLP (*Originator* side), Studio Legale Chiomenti (*SPV/Arranger* side);
- Rating agencies: ARC Rating S.A. and Moody's;
- Master Servicer: Prelios Credit Servicing S.p.A.;
- Special Servicers: Prelios Credit Solutions S.p.A. and Fire S.p.A. (jointly);
- SPV Corporate Servicer and Computation Agent: Securitisation Services (Banca Finint);
- Paying Agent and Account Bank: BNP Paribas Securities Services.

Concluded at the end of December 2022, the transaction saw the sale to a securitisation vehicle, established in accordance with Article 3 of Law 130/1999, called Luzzatti POP NPLs 2022 S.r.l. The structure of the transaction envisaged the suitable characteristics for the derecognition of the loans through the transfer of the portfolio to the SPV and the assignment of a BBB+/Baa1 rating to the Senior Notes, pending the reintroduction of the GACS state guarantee in order to be able to assess the opportunity at banking class level, if the conditions are met, to request this guarantee. The SPV acquired the transferors' Portfolio, financing the purchase through the issue of three classes of ABS securities, Senior, Mezzanine and Junior classes, amounting to Euro 118.25 million, Euro 17.5 million and Euro 3 million, respectively. The Mezzanine and Junior notes were subscribed for 5% on a pro rata basis by the Transferors (pursuant to the European Retention Rule - net economic interest).
As regards the portion of Cassa di Risparmio di Bolzano, the Parent Bank securitised 60 non-performing positions for a total of 101 positions for a total exposure of approximately Euro 6.2 million.

With regard to the CiviBank share, the subsidiary Bank securitised 375 bad loans for a total of 781 positions and an overall exposure of approximately Euro 79 million, of which Euro 5.6 million of lines already transferred to loss.
The transaction mainly concerned secured loans. The Cassa di Risparmio di Bolzano portfolio is composed of 42.3% of unsecured loans and 57.7% of secured loans, while the CiviBank portfolio consists of 71.7% of unsecured loans and 28.3% of secured loans.
With regard to the economic sector, loans to households account for 12.4% of the portfolio securitised by Cassa di Risparmio di Bolzano, and 20.1% of the portfolio securitised by CiviBank. Half of the portfolio sold by Cassa di Risparmio di Bolzano is active in the real estate and construction sector (50.1%), 15.6% is in manufacturing activities, 10.3% is in accommodation and catering, while 8.5% is in the wholesale and retail trade sector. Other types of economic activity remain for a total of 3.0% of the portfolio sold by Cassa di Risparmio di Bolzano. With regard to the portfolio sold by CiviBank, 25.8% are active in the real estate and construction sector, 35.4% are in manufacturing activities, 2.2% in accommodation and catering while 5.2% belong to the wholesale and retail trade sector. Other types of economic activity remain for a total of 11.5% of the portfolio sold by CiviBank, of which 4.6% of grape cultivation and 3.0% of professional activities.
The majority of the securitised portfolio of Cassa di Risparmio di Bolzano, equal to approximately 86.0%, is concentrated outside the province of Bolzano, the remainder is located in Alto Adige (14.0%). Most of the securitised portfolio of Civibank, equal to approximately 72.8%, is concentrated in Friuli-Venezia Giulia, the remainder is located outside the region (27.2%).
With regard to the time horizon, both portfolios sold are characterised by medium/long-term lines. The credit lines transferred with a medium/long-term duration (mortgages, loans) are therefore 61.5% for the portfolio securitised by Cassa di Risparmio di Bolzano and 74.2% for CiviBank.
The extraordinary disposal transaction presented itself as an important opportunity to accelerate the process of reducing the stock of non-performing loans, allowing to lower both the individual and Group NPL Ratio.

OTHER SECURITISATION TRANSACTIONS OF THE SUBSIDIARY BANCA DI CIVIDALE

QUALITATIVE INFORMATION

Securitisation transactions are carried out in order to increase the assets liquidity degree and increase the availability of financial instruments that can be allocated for refinancing transactions with the European Central Bank and/or that can be used as collateral in financing transactions with institutional and market counterparties.

The quantitative information reported in this section only includes the Civitas Spv Srl – RMBS – 2017 as the transaction Civitas Spv Srl – SME – 2019 has the characteristics of the so-called "Self-securitisations", i.e. the Originator Bank subscribed all the liabilities issued by the SPV at the time of issue.

Main Information	
Date of completion of the transaction	Jul-17
SPV	Civitas Spv Srl
Transaction object	Performing residential mortgages
Banks/Originator Groups	Banca di Cividale S.p.A.
Total original amount of the receivables transferred by	
Banca di Cividale	253 million
RMBS Restructuring 2018	112 million
RMBS Restructuring 2019	106 million
RMBS Restructuring 2020	147 million
Total amount of receivables transferred by BDC	618 million
Notes issued, subscribed and held by Banca di Cividale	600 million
of which senior notes a	*46 million*
of which senior notes b	*228 million*
of which mezzanine securities	*51 million*
of which junior notes	*93 million*
Initial rating of senior notes	A Standard&poor's - AA DBRS
Final balance TQ of notes held at 31/12/2023	251 million
Senior notes rating	AA Standard&poor's - AAA DBRS

In such transactions, the Bank's role, in addition to that of "originator" of the underlying transactions and mortgages, is that of "servicer" in charge of all activities pertaining to the relationship with borrowers, including the periodic collection of instalments.

The credit risk associated with the assets sold in the securitisation transactions remains with the bank; therefore, the internal risk measurement and control systems are applied in a completely homogeneous manner to both securitised and non-securitised assets.

Section 2. Securitisations of bad loans

Loan securitisation transactions were identified by the Bank as a suitable instrument for transferring credit risk to third parties ("derisking").

The Bank has three securitisation transactions in place that involve the transfer of the underlying risks, called "POP NPLS 2019", "POP NPLS 2020" and "POP NPLS 2022". The transactions were structured in a manner suitable for obtaining the GACS guarantee on the senior note issued.

"Pop NPLs 2019" transaction

On 10 December 2019, pursuant to Italian Law no. 130 of 30 April 1999, the Bank completed a securitisation of bad loans with GACS guarantee for a total value of approximately Euro 50.7 million. The Bank participated in the initiative promoted by Luigi Luzzatti Scpa, as part of Assopopolari, which developed a multi-originator securitisation of loans with GACS, the state guarantee that assists the senior notes issued following the completion of these transactions.

The purpose of the transaction is to improve the risk profile and the quality of the assets as well as the income prospects and in particular to reduce the incidence of bad loans on total assets, as well as to reduce the related administrative, legal and judicial costs for the management of bad loans.

The securitised portfolio was of a "mixed" nature, mortgage and unsecured, claimed from non-financial companies and other private entities mainly referring to the Friuli Venezia Giulia and Eastern Veneto regions;

the Banca di Cividale's participation resulted in the sale of 280 positions for a total receivable of approximately Euro 50.7 million (out of a total transaction GBV of approximately Euro 827 million).

The consideration for the sale of the receivables to the SPV, called "Pop NPLs 2019 S.r.l.", amounted to a total of Euro 177 million (of which Euro 13.6 million referring to the Bank's portfolio).

The SPV financed the purchase of the Receivables through the issue of the following classes of notes pursuant to the combined provisions of Articles 1 and 5 of Law 130, for a total value of Euro 203 million, broken down as follows:

- ✓ Euro 173 million Senior ABS with floating rate maturing in February 2045;
- ✓ Euro 25 million Mezzanine ABS with floating rate maturing in February 2045;
- ✓ Euro 5 million Junior ABS with floating rate and variable return maturing in February 2045.

The Senior Notes obtained a rating of BBB from DBRS and BBB from Scope Ratings AG, the Mezzanine notes obtained a rating of CCC from DBRS and CCC from Scope Ratings AG.

The Senior Notes obtained a rating of BBB from DBRS and BBB from Scope Ratings AG, the Mezzanine notes obtained a rating of CCC from DBRS and CCC from Scope Ratings AG. The Senior Notes issued are backed by the State Guarantee.

Below is a summary of the data at 31 December 2023 relating to the securitisation of multi-originator bad loans with GACS called POP NPLs 2019:

Main Information	
Date of completion of the transaction	Dec-19
SPV	POP NPLs 2019 S.r.l.
Transaction object	Transfer of credit risk to third parties
Banks/Originator Groups	Pool of 12 Banks
Total amount of receivables transferred by	
Banca di Cividale	50 million
Total amount of receivables transferred by BDC	50 million
Notes issued, subscribed and held by Banca di Cividale	13 million
of which senior notes	*13 million*
of which junior notes	*0.1 million*
Initial rating of senior notes	BBB
Final balance TQ of notes held at 31/12/2023	6.9 million
Senior notes rating	BBB

"POP NPLs 2020" transaction

In 2020, pursuant to Italian Law no. 130 of 30 April 1999, the Bank participated to a securitisation of bad loans with GACS guarantee for a total value of approximately Euro 36.6 million. The Bank participated in the initiative promoted by Luigi Luzzatti Scpa, as part of Assopopolari, which developed a multi-originator securitisation of loans with GACS, the state guarantee that assists the senior notes issued following the completion of these transactions.

The purpose of the transaction is to improve the risk profile and the quality of the assets as well as the income prospects and in particular to reduce the incidence of bad loans on total assets, as well as to reduce the related administrative, legal and judicial costs for the management of bad loans.

The securitised portfolio was of a "mixed" nature, mortgage and unsecured, claimed from non-financial companies and other private entities mainly referring to the Friuli Venezia Giulia and Eastern Veneto regions; the Banca di Cividale's participation resulted in the sale of 422 positions for a total receivable of approximately Euro 36.6 million (out of a total transaction GBV of approximately Euro 920 million).

The consideration for the sale of the receivables to the SPV, called "Pop NPLs 2020 S.r.l.", amounted to a total of Euro 245.5 million (of which Euro 9.7 million referring to the Bank's portfolio).

The SPV financed the purchase of the Receivables through the issue of the following classes of notes pursuant to the combined provisions of Articles 1 and 5 of Law 130, for a total value of Euro 245.5 million, broken down as follows:

- Euro 241.5 million Senior ABS with 6-month Euribor floating rate +0.30% maturing in November 2045;
- Euro 25 million Mezzanine ABS with 6-month Euribor floating rate +12% maturing in November 2045;
- Euro 10 million Junior ABS with 6-month Euribor floating rate +15% in addition to the variable remuneration linked to the recoveries remaining after the fulfilment of all the other obligations of the vehicle, maturing in November 2045.

The Senior Notes obtained a rating of BBB from DBRS and BBB from Scope Ratings AG, the Mezzanine notes obtained a rating of CCC from DBRS and CC from Scope Ratings AG. The Junior Notes were not rated. The notes were not listed on any regulated market. The Senior Notes issued are backed by the State Guarantee.

With reference to the aspects of guidance, governance and control of the Transaction, it should be noted that the entire process was carried out in compliance with and application of the policy on the disposal and write-off of non-performing loans and the SRT policy. The transaction was part of the multi-year NPL management strategies and the related results, both in terms of asset quality improvement and internal capital allocation, were consistent with the strategic objectives outlined therein.

Below is a summary of the data at 31 December 2023 relating to the securitisation of multi-originator bad loans with GACS called POP NPLs 2020:

Main Information	
Date of completion of the transaction	Dec-20
SPV	POP NPLs 2020 S.r.l.
Transaction object	Transfer of credit risk to third parties
Banks/Originator Groups	Pool of 15 Banks
Total amount of receivables transferred by	
Banca di Cividale*	36.9 million
Total amount of receivables transferred by BDC*	36.9 million
Notes issued, subscribed and held by Banca di Cividale	9.7 million
of which senior notes	*9.5 million*
of which junior notes	*0.1 million*
Initial rating of senior notes	BBB
Final balance TQ of notes held at 31/12/2023	4.5 million
Senior notes rating	BBB

"Luzzatti POP NPLs 2022" transaction

In 2022, pursuant to Italian Law no. 130 of 30 April 1999, the Bank participated to a securitisation of bad loans theoretically suitable for GACS guarantee (but concluded at the time when the GACS law was not applicable) for a total value of approximately Euro 79 million. The Bank participated in the initiative promoted by Luigi Luzzatti Scpa, which developed a multi-originator securitisation of loans with the participation of a further 14 transferring banks.

The purpose of the transaction is to improve the risk profile and the quality of the assets as well as the income prospects and in particular to reduce the incidence of bad loans on total assets, as well as to reduce the related administrative, legal and judicial costs for the management of bad loans.

The securitised portfolio is of a "mixed" nature, mortgage and unsecured, claimed from non-financial companies and other private entities mainly referring to the Friuli Venezia Giulia and Eastern Veneto regions; the Banca di Cividale's participation resulted in the sale of 375 positions for a total receivable of approximately Euro 79 million (out of a total GBV of the transaction of approximately Euro 550 million, corresponding to a gross amount collectable receivables of approximately Euro 545 million).

The consideration for the sale of the receivables to the SPV, called "Luzzatti POP NPLs 2022 S.r.l.", amounted to a total of Euro 122.9 million (of which Euro 15.7 million originally referred to the Bank's Portfolio).

The SPV financed the purchase of the Receivables through the issue of the following classes of notes pursuant to the combined provisions of Articles 1 and 5 of Law 130, for a total value of Euro 138.75 million, broken down as follows:

- Euro 118.25 million Senior ABS with a fixed rate of 4%, maturing in January 2042;
- Euro 17.5 million Mezzanine ABS with 6-month Euribor floating rate +10% maturing in January 2042;
- Euro 3 million Junior ABS with 6-month Euribor floating rate +15% in addition to the variable remuneration linked to the recoveries remaining after the fulfilment of all the other obligations of the vehicle, maturing in January 2042.

The Senior Notes have a rating issued by the rating agencies ARC Ratings, S.A., equal to BBB + (sf), and Moody's Italia S.r.l., equal to Baa1 (sf), and were subscribed on a pro rata basis by the Transferors, while the Mezzanine Notes and Junior Notes do not have a rating and 95% of them were sold on 29 December 2022 to an independent investor. In particular, no Note was sold to investors who are connected and/or have relations or links with the Transferors ("close link" as defined in Article 4(38) of the CRR). The Notes are not and will not be listed on any regulated market.

In order to fulfill the obligation to maintain the 5% net economic interest in the Transaction, pursuant to Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (which establishes a general framework for securitisation, sets up a specific framework for simple, transparent and standardised securitisations and amends Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012) (the "Securitisation Regulation"), as amended by Regulation (EU) 557/2021, the Transferors have subscribed - and will undertake to maintain it throughout the duration of the Transaction - a portion of the transaction at least equal to 5% of the nominal value of each tranche of Notes issued in the context of the Transaction ("vertical segment" mode).

The transaction was structured in such a way as to have suitable characteristics and conditions to proceed with the derecognition of the receivables subject to transfer, in accordance with the applicable IAS/IFRS international accounting standards, as the rights and benefits of the financial assets sold (IFRS 9, paragraphs 3.2.4 (a) and 3.2.6 (a)) are substantially transferred to the special purpose vehicle Luzzatti POP NPLs 2022 S.r.l.

The derecognition of the receivables resulted in the recognition of a loss on disposal (net of the discounting effect) of Euro 16.5 million, recognised under item 100 a) of the income statement "Gains (losses) on disposal or repurchase of assets measured at amortised cost".

The transaction was part of the multi-year NPL management strategies and the related results, both in terms of asset quality improvement and internal capital allocation, were consistent with the strategic objectives outlined therein.

Below is a summary of the data at 31 December 2023 relating to the securitisation of multi-originator bad loans with GACS called POP NPLs 2022:

Main Information	
Date of completion of the transaction	Dec-22
SPV	Luzzatti POP NPLs 2022 S.r.l.
Transaction object	Transfer of credit risk to third parties
Banks/Originator Groups	Pool of 15 Banks
Total amount of receivables transferred by Banca di Cividale	73.7 million
Total amount of receivables transferred by BDC	73.7 million
Notes issued, subscribed and held by Banca di Cividale	15.1 million
of which senior notes	*15.1 million*
of which junior notes	*<0.1 million*
Initial rating of senior notes	BBB+
Final balance TQ of notes held at 31/12/2023	12.4 million
Senior notes rating	BBB+

C. Parent Bank's securitisation transactions

C.1. Exposures deriving from the main "own" securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposures	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs
A. Subject to full derecognition from the financial statements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.1 Buonconsiglio 2	0	-	0	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
- non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- bad loans	0	-	0	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Luzzatti POP NPLs 2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- bad loans	1	-	0	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Subject to partial derecognition from the financial statements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.1 securitisation name 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.2 securitisation name 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.3 securitisation name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised from the financial statements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.1 securitisation name 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.2 securitisation name 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.3 securitisation name	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C. Securitisation transactions of the subsidiary Banca di Cividale

C.1. Exposures deriving from the main "own" securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposures	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Carrying amount	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
A. Subject to full derecognition from the financial statements																		
POP NPLS 19 2/45 TV			19															
Type of activity: Non-performing loans			19															
Pop Npls 2020 1902			9															
Type of activity: Non-performing loans			9															
Pop Npls 2022 2250	12,556	15	38															
Type of activity: Non-performing loans	12,556	15	38															
B. Subject to partial derecognition from the financial statements																		
C. Not derecognised from the financial statements																		
C.1 Civitas Spv Srl					249,247	4,865-	-	-	-	-	-	-	-	-	-	-	-	-
– Type of asset: Credit					249,247	4,865-	-	-	-	-	-	-	-	-	-	-	-	-

With regard to the "Civitas Spv Srl – RMBS -2012" securitisation, the Bank holds the entire "Junior" notes while the Senior notes were sold and are currently held by institutional investors.

The amounts indicated in the table refer to the value of the Junior and Senior notes held by the Bank which would have been shown in both assets and liabilities of the balance sheet but which are not included therein as they have been eliminated in application of the accounting standards.

C.2. Exposures deriving from the main "third party" securitisation transactions broken down by type of securitised asset and type of exposure

Type of underlying assets/Exposures	On-balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Value adjustments/write -backs	Carrying amount	Value adjustments/write -backs	Carrying amount	Value adjustments/write -backs	Net exposure	Value adjustments/write -backs	Net exposure	Value adjustments/write -backs	Net exposure	Value adjustments/write -backs	Net exposure	Value adjustments/write -backs	Net exposure	Value adjustments/write -backs	Net exposure	Value adjustments/write -backs
Auxilio 1855	4,649	(54)																
Auxilio CL A 20 TV - Type of asset: Receivables from businesses	4,649	(54)																
Cloud Spv	17,876	(207)	4,291	(52)														
Cloud Spv/Ts Abs 03/37 Sen C - Type of asset: Receivables from companies	17,876	(207)																
Cloud Spv/5 Abs 03/37 Mez Cl - Type of asset: Receivables from companies			4,291	(52)														
Galadriel Spe S.R.L.	7,430	(86)	902															
Galadriel Spe 06/31 TV class A1 - Type of asset: Receivables from companies	7,430	(86)																
Galadriel Spe 06/31 7% B1 - Type of asset: Receivables from companies			902															
Kripton Spv Spa	6,170	(71)	601															
Kripton Spe 03/36 TV class A - Type of asset: Receivables from companies	6,170	(71)																
Kripton Spe 03/36 TV class B - Type of asset: Receivables from companies			604															
Lanterna	11,171	(8)																
Lanterna 28/04/2050 0.4 - Type of asset: Receivables from PA	11,171	(8)																
Vittoria Spe Series II	3,464	(43)																
Vittoria 07/31 TV - Type of asset: Receivables from PA	3,464	(43)																

C.3. SPV for the securitisation of the subsidiary Banca di Cividale

Name of securitisation Vehicle company name	Registered office	Consolidation	Assets			Liabilities			
			Receivables	Debt securities	Other	Senior	Mezzanine	Junior	Other
POP NPLS 20 2/45 TV*	Conegliano Veneto (TV)	No.	195,730	-	51,634	193,031	25,000	10,000	19,333
POP NPLS 19 2/45 TV	Conegliano Veneto (TV)	No.	88,864		46,280	112,298	6,520	611	15,716
POP NPLS 22 2/45 TV	Conegliano Veneto (TV)	No.	Nd	Nd	Nd	Nd	Nd	Nd	Nd

*Financial statements as at 31/12/2021

D. Disposal transactions
A. Financial assets sold and not fully cancelled
Qualitative and quantitative information

D.1 Prudential consolidation - Financial assets sold fully recognised and associated financial liabilities: carrying amounts

	Financial assets sold fully recognised				Associated financial liabilities		
	Carrying amount	of which: subject to securitisation	of which: subject to repurchase agreements	of which impaired	Carrying amount	of which: subject to securitisation	of which: subject to repurchase agreements
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 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 amortised cost	656,238	52,015	604,223	426	844,750	45,373	799,377
1. Debt securities	604,223	-	604,223	-	799,377	-	799,377
2. Loans	52,015	52,015	-	426	45,373	45,373	-
Total 31/12/2023	656,238	52,015	604,223	426	844,750	45,373	799,377
Total 31/12/2022	1,344,314	285,369	1,058,945	2,350	1,147,401	110,696	1,036,705

E. Prudential consolidation - Models for the measurement of credit risk

The Group does not use internal portfolio models to measure credit risk exposure.

However, it should be noted that the Parent Bank has introduced the AIRB parameters for the calculation of expected credit losses on performing loans starting from 31 December 2019. From September 2023, the approach was also extended to the Subsidiary CiviBank.

Finally, it should be noted that on 24 May 2023 the Parent Company, with provision no. 0926043/23 has received from the Supervisory Authority the recognition for prudential purposes of the AIRB internal credit risk measurement system. The authorisation measure will take effect on condition that the "Preliminary remedial measures" are implemented within 18 months.

1.2 Banking Group - Market risks

1.2.1 Interest rate risk and price risk - Regulatory trading book

QUALITATIVE INFORMATION

A. General aspects

A.1 Sources of interest rate risk and price risk

The interest rate risk of the regulatory trading book is the risk of incurring losses caused by adverse changes in the price of financial instruments due to factors related to market interest rates (risk factor concerning the current value of these instruments).

Interest rate risk is generated mainly by debt securities and interest rate derivatives classified in the trading book.

Price risk is the risk of incurring losses caused by adverse changes in market prices. This risk is mainly generated by positions in UCITS units and by equity instruments (such as shares, futures on equity indices and/or shares, options on shares and/or equity indices, warrants, covered warrants, etc.).

Impacts deriving from the Ukrainian-Russian conflict

The Group continuously monitors its securities portfolio in order to identify and carefully assess potential impacts related to the geo-political environment. The exposure of the securities portfolio to asset classes considered potentially sensitive in the context of the Ukrainian-Russian conflict was limited.

A.2 Objectives and strategies underlying trading activities

The "regulatory trading book" consists of financial instruments that are intentionally allocated to subsequent short-term disposals or taken on in order to benefit, in the short term, from differences between purchase and sale prices or other changes in the price or interest rates or held to hedge the risks arising from other financial instruments held for trading.

To this end, the aforementioned financial instruments, which must also be exempt from any clause that limits their negotiability or, alternatively, which must be able to be hedged, are subject to explicit trading strategies that clearly express the intent of trading of the Group.

The Group's trading book mainly includes the following financial instruments:

- Government bonds, bank bonds, corporate bonds intended for trading with customers and only for repurchase agreements;
- managed products, ETFs;

- derivative transactions.

With specific reference to interest rate risk, the investments made by the Group are aimed at containing this risk by favouring short-term instruments.

B. Management processes and measurement methods for interest rate risk and price risk

B.1 Organisational aspects

The market risk management and measurement process in a broad sense, which includes both interest rate and price risks, is shown below. The market risk management process of the trading book is regulated in stages, with the aim of identifying the criteria for the management of risk profiles, the activities to be carried out for the correct application of the criteria, the units responsible for carrying out the performance of the aforementioned activities and the procedures supporting them. The articulation by phases and the attribution of activities to the various organisational structures are carried out having as objective the functionality of the process, i.e. its suitability to achieve the set objectives (effectiveness) and the ability to achieve them at a reasonable cost (efficiency).

The phases of the process are shown below.

Investment policy

The objective of the investment policy is the implementation of short and long-term strategic guidelines, in order to quantify the resources to be allocated in the financial investments segment of the trading book. The quantification of the resources to be allocated to the segment is carried out taking into account the overall market risks (interest, share price, exchange rate) and is determined on the basis of the results of the analyses carried out on the forecasts regarding the trend of the main macro-economic variables, the main reference markets, national and international monetary policies, the characteristics of the company's financial structure, the performance adjusted for the risk of the investments made and to be made, the public restrictions and the Supervisory regulations.

Information from internal and external sources is systematically acquired by the Finance and Treasury Department and forwarded to the Risk Management Service and to the Risk Monitoring Committee.

The Risk Monitoring Committee measures market risk and determines the resources to be allocated to investment activities in financial instruments at the level of the overall portfolio owned by the Group and at the level of individual portfolio or segment. The measurement in question takes place on the basis of the calculations and forecasts made by the Risk Monitoring Committee itself with the help of information processed by the Services that make up the Committee. Therefore, the Finance and Treasury Department, through the units or desks that make it up, defines, with reference to the aforementioned information, the forecasts in terms of profitability of the financial instruments (products) handled and in terms of attractiveness of the reference markets, and it determines the attractiveness of the various product/market combinations.

Assumption of market risk

The assumption of market risk is aimed at investing the resources allocated in the financial investments segment and in particular in the securities segment. The assumption of the risk is carried out in compliance with the general criteria of cost-effectiveness and profitability of the investment but above all in compliance with the powers resolved on by the Board of Directors in terms of maximum tolerable loss in the year and cumulative loss for the period (stop-loss).

The activities carried out for the assumption of market risk concern the following aspects:

1. the valuation of the investment to be made with reference to:

- the liquidity of the investment;
- the return offered by a security;
- the degree of risk associated with the investment.

2. the assumption of risk with reference to the operating powers assigned in terms of limits with regard to:
   - the overall generic or position risk of the individual portfolios and of the portfolios as a whole;
   - the generic risk of the individual components of the portfolios;
   - the total cumulative loss for each portfolio segment;
   - the nominal amount of the securities by segment of operation;
   - the specific risk for debt securities of non-qualified parties;
   - the counterparty risk;
   - the settlement risk;
   - the concentration risk.

With reference to the structure of the delegations on market risk, the assumption of the latter is delegated:

- in cases of urgency, to the Chairman of the Board of Directors who may decide without limits on the amount or risk, on the proposal submitted by the Risk Monitoring Committee, which in any case presents to the aforementioned Body the potential risk of the investments to be acquired;
- on an ongoing basis, to the Chief Executive Officer - General Manager, and to the Finance and Treasury Department.

Market risk measurement

For the purposes of quantifying the mandatory capital requirements, the Group measures market risks according to the standardised methodology envisaged by the supervisory provisions.

For operational purposes, the measurement of market risk relates to the construction of a measure, whether overall on the entire trading portfolio and/or on the investment segment (bond, equity, currency, etc.), indicative of the risk deriving from investment activity in financial instruments (so-called "VaR models").

The information supporting the measurement of market risk concerns:

1. the market value (of the prices) of the positions taken by the units responsible for carrying out the investment activity (market value means the official trading price at which a financial instrument is listed);
2. the sensitivity of the market value of the aforementioned positions to changes in the reference risk factor (sensitivity means the percentage change in the market value as the risk factor changes);
3. the volatility of the risk factor relevant to the individual positions (i.e. the change in the risk factor);
4. the protection interval (of confidence) desired by the Group indicative of its risk aversion;
5. the reference time horizon over which the plan is to carry out the estimate of the risk connected with the cited positions, indicative of the holding period of said financial instrument;
6. the correlations between market/risk factors of the same type (interest rates for different maturities or exchange rates for different currencies) and the correlations between risk factors of different types (interest rate risk, exchange rate risk, equity risk).

The measurement and monitoring of market risk, in compliance with the above criteria and with reference to the information listed above, is carried out:

1. on an ongoing basis by the Finance and Treasury Department to verify compliance with the limits assigned to it;
2. by the Risk Management Service on the basis of information supports prepared by the same. In addition, the Risk Management Service, in collaboration with the Finance and Treasury Department, updates the measurement of market risk for new products or for changes in existing ones;

3. periodically, by the Financial Statements, Taxes and Management Control Department that assesses the adequacy of capital allocation in relation to the securities segment as well as the return on said capital and thus the achievement of the set out objectives in both operational and profit terms.

The Risk Management Service, after acquiring and processing the information and data necessary for the measurement of market risk:

1. determines the VaR related to the individual positions that make up the portfolio owned by the Group;
2. determines the VaR related to the individual segments (equity, bond, currency, etc.) in which the Group carries out investment activities;
3. determines the VaR related to the individual portfolios/sub-portfolios into which the owned portfolio is divided;
4. determines the VaR related to the overall portfolio owned by the Group;
5. on the basis of the above, it informs the Finance and Treasury Department, the Financial Statements, Tax and Management Control Department;
6. forwards the information referred to in the previous points to the Corporate Bodies involved in the financial process (General Management, Risk Monitoring Committee, Board of Directors, etc.).

Market risk control

The objective pursued by the market risk control activities concerns:

- monitoring of securities operations in terms of maximum potential loss over a reference time horizon and in terms of cumulative loss (stop-loss) for the period;
- communication and transmission of information relating to the risk that the Group is facing;
- timely communication to the competent Corporate Bodies of the any critical issues.

The task of controlling the market risk in terms of compliance with the limits defined for the owned portfolio and for the portfolios and/or segments (maximum tolerable loss in the period in question - VaR limit, cumulative loss for the period and allocated capital limit) is delegated to:

- the Finance and Treasury Department as regards the overall limits within which the Service may assume market risks, considering the risks assumed by the individual units belonging to the Service;
- the Risk Management Service, which also produces the reports for the Corporate Bodies and functions involved in the market risk control process.

Considering the importance of climate-environmental, social and governance (ESG) risks in the banking sector, an ESG rating monitoring was established on the proprietary securities portfolio. This monitoring was also extended to the securities portfolio owned by the Subsidiary, as soon as the integration of the information systems took place.

Currently, the portfolio is mainly composed of securities with a good ESG rating.

B.2 Methodological aspects

At management level, the Group uses a VaR model as the main instrument for daily measurement and control of the exposure to market risks of the trading book.

The VaR is a statistical measure that estimates the potential losses caused by the variability of the risk factors to which the trading book is exposed over a predefined time horizon (holding period) and with a specific level of statistical confidence. With regard to the parameters of the model used, the Group measures, following a prudential approach, a VaR with a confidence interval of 99%, over a holding period of one day. The positions subject to VaR calculation are those in financial instruments that can be classified as assets or liabilities belonging to the trading book.

VaR is measured on a daily basis at the level of the overall portfolio of owned securities. At different intervals, an information report is also produced for the Bodies, Top Management and the functions involved in the financial process.

To calculate VaR, the Group adopts the Montecarlo methodology, using historical series with a depth of one year. The historical series that underlies the simulations are updated on a daily basis by entering the most recent data for each series and excluding the most distant observation. The Group has chosen the Montecarlo method because, due to the composition of the proprietary portfolio and the type of operations carried out, it allows a reliable measurement of exposure to risks.

The aggregation of the risk factors and the diversification effect on the portfolio takes place considering the implicit correlations in the historical series of the data used.

The model currently developed covers generic market risks (interest rate risk, price risk and exchange rate risk).

The limits are resolved annually by the Board of Directors and the Risk Monitoring Committee according to their respective responsibilities.

The Group does not currently use an internal model for the management of market risks to determine the prudential capital requirements of the trading book.

1.2 Market risks

1.2.1 INTEREST RATE RISK AND PRICE RISK - REGULATORY TRADING BOOK

Quantitative information

1. Regulatory trading book: breakdown by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency of denomination: EURO

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets	101	2,985	399	99	22,326	13,821	645	-
1.1 Debt securities	101	2,985	399	99	22,326	13,821	645	-
- with early repayment option	-	-	199	-	-	-	-	-
- other	101	2,985	200	99	22,326	13,821	645	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	340	-	-	-	-	-	-	-
+ Short positions	-	340	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	4,628	-	-	-	-	-	-
+ Short positions	-	3,614	-	-	-	-	-	-

1. Regulatory trading book: breakdown by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives

Currency of denomination: OTHER CURRENCIES

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	3,697	-	-	-	-	-	-
+ Short positions	-	4,692	-	-	-	-	-	-

In consideration of the residual nature of the amounts in currencies other than the euro, they were all aggregated in the above table.

The effect of a change in interest rates of +/- 100 basis points on the net interest income, operating income and shareholders' equity is described below.

Risk exposure due to a change in interest rates of +100 basis points.

a. effect on net interest income in the following twelve months:	Euro 21 thousand
b. effect on profit for the year:	Euro (1,554) thousand
c. effect on shareholders' equity:	Euro 0 thousand

Risk exposure due to a change in interest rates of - 100 basis points:

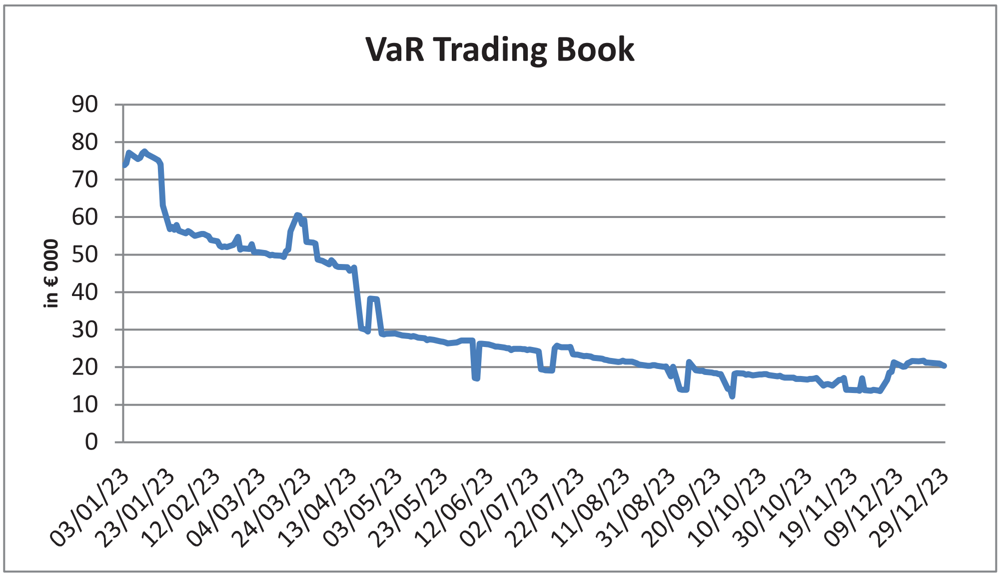
a. effect on net interest income in the following twelve months:	Euro (21) thousand
b. effect on profit for the year:	Euro 1,653 thousand
c. effect on shareholders' equity:	Euro 0 thousand

2. Regulatory trading book: breakdown of exposures in equity securities and equity indices for the main countries of the quotation market

Type of transactions/Quotation index	Listed 0						Not listed
	ITALY	UNITED STATES OF AMERICA	UNITED KINGDOM	JAPAN	GERMANY	OTHER COUNTRIES	
A. Equity securities							
- long positions	34	1	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
B. Purchases and sales of equity securities not yet settled							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equity securities							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
D. Derivatives on equity indices							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-

3. Regulatory trading book: internal models and other methods for sensitivity analysis

The attached table shows the trend in the year of risk in terms of Value at Risk (VaR) (Montecarlo method) on the asset positions in the Regulatory trading book, limited to the exposure in securities. The measurement is based on a 99% confidence interval and a holding period of 1 day.



VaR values in the last 12 months:	Euro 000
Start of period:	74
End of period:	20
Maximum:	78
Minimum:	12
Average:	31

1.2.2 Interest rate risk and price risk - Banking book

QUALITATIVE INFORMATION

General aspects, management processes and measurement methods for interest rate risk and price risk

The structural interest rate risk (so-called "interest rate risk in the banking book" or "IRRBB") is the risk of suffering a reduction in the value of equity or a decrease in the net interest income deriving from the impact of adverse changes in interest rates on asset and liability items other than those allocated to the regulatory trading book. The regulatory banking book is defined as residual with respect to the trading book and therefore includes all positions not included in the supervisory trading book. Therefore, the banking book includes:

a) assets and liabilities generated by treasury operations and therefore interbank deposits given and received, repurchase agreements, etc. (discretionary interest rate risk);

b) assets and liabilities generated by transactions with ordinary customers (retail and corporate); in this case, the risk is strictly related to the commercial policies of funding and lending and therefore to the "structure" of the financial statements (interest rate risk of a structural nature);

c) financial assets other than those held for trading.

The sources from which this risk originates can be identified in the negative events that mainly impact the credit, funding and finance processes.

Interest rate risk mainly takes the form of:

- "rate revision risk", related to the time mismatches in the maturity or revision date of the rate of assets, liabilities and off-balance sheet items;
- risk deriving from changes in the inclination and shape of the interest rate curve (so-called "yield curve risk");
- base risk, deriving from an imperfect correlation in the adjustment of lending and borrowing rates on different instruments but with otherwise similar price revision characteristics;
- "risk arising from option rights" deriving from options, including embedded options which give the counterparties the possibility of early repayment of the amount due to or by the Parent Bank and/or revision of the economic conditions regarding the rates applied.

The price risk of the banking book is mainly represented by equity investments, UCITS units and other securities held for investment purposes.

A.1. Interest rate risk management processes and measurement methods

A.1.1 Organisational aspects

The Group's interest rate risk management process, with reference to the banking book, consists of the following phases:

Risk management policy

The objective of the risk management policy is the implementation of short and long-term strategic guidelines, in order to quantify the resources to be allocated in the financial loans and investments segment in terms of exposure to interest rate and price risks of the overall banking book in terms of the volatility of the net interest income and the economic value of the shareholders' equity. The quantification of the resources to be allocated to the aforementioned segments is carried out, taking into account both the aforementioned market risks (in terms of interest rate risk, share price risk, exchange rate risk) and liquidity risk, on the basis of the results deriving from the analyses carried out on the forecasts regarding the trend of the main macro-economic variables, the main reference markets, national and international monetary policies, the characteristics of the company financial structure, the characteristics of the banking book, public restrictions and supervisory regulations.

Decisions on interest rate risk management are taken by the Risk Monitoring Committee.

Risk measurement

The interest rate risk measurement phase involves the construction of an indicative measure of the risk deriving from the composition, structure and characteristics of the banking book.

Exposure to interest rate risk is expressed in two different perspectives: in the volatility of the economic value of the shareholders' equity and in the volatility of the net interest income or profits. Measurements take place both in the normal course of business and under stress assumptions. The risk of changes in the economic value of the shareholders' equity is determined through the shift sensitivity approach and the change in the present value of the shareholders' equity. The risk that expected and unexpected changes in market interest rates have negative impacts on the net interest income or profits is determined by recalculating the interest or profits deriving from the delta of the market curves used.

The risk measurement is carried out by the Risk Management Service, which also produces the reports for the Corporate Bodies and functions involved in the process of managing the structural rate risk.

Risk control

The risk control phase is carried out by the Risk Management Service. The system of limits on risks for structural interest rate risk provides for the monitoring of limits and indicators relating to the impact of rate shocks.

Risk control is also carried out periodically by Internal Audit and by the units involved in the structural interest rate risk management process to verify:

- the adequacy and functionality of the financial process;
- compliance with the rules and criteria established on risk management;
- the proper performance of the activities and controls set up to monitor risks;
- any critical issues to be removed promptly.

A.1.2 Methodological aspects

The Group's Asset & Liability Management system measures its exposure to structural interest rate risk.

Periodically, the Parent Bank carries out simulations on the net interest income through the ERMAS procedure, applying different forecast scenarios on market rates. The simulations also take into account particularly adverse scenarios, quantifying the impact of a change in interest rates deviating from current forecast expectations in combination with additional stress factors. The shift sensitivity analyses at Group level include estimates of the impacts of applying the standard shocks defined by the Basel Committee and measurements under stress assumptions. In addition, in line with the provisions of the supervisory regulations, the impact of a hypothetical parallel change in rates of +/- 200 basis points on the exposure to interest rate risk is assessed from a current and prospective perspective.

The Group also measures exposure to interest rate risk on the basis of the simplified method provided for by supervisory regulations.

As regards the measurement of the price risk on the positions belonging to the banking book, the Group adopts the same methods applied to the positions of the regulatory trading book.

B. Fair value hedging

ASSETS HEDGING

Starting from March 2010, the risks deriving from the disbursement of floating rate mortgages with "Cap" (maximum limit on the interest rate applied to customers) are hedged against interest rate risk. In particular, if the cap rate provided for in the derivative contract is exceeded, the counterparty is obliged to pay an interest flow equal to the difference between the observed market rate and the rate itself.

For the purposes of defining the "hedging strategy" and identifying suitable instruments, mortgages with similar characteristics are grouped into "portfolios". A derivative contract is stipulated for each portfolio thus created.

Starting from January 2020, interest rate risk is hedged on a set of fixed-rate assets represented by mortgages. For these forms of fair value hedging, macro hedging was chosen. The Bank periodically carries out prospective and retrospective effectiveness tests in order to verify the degree of effectiveness of the hedge created and for the accounting management thereof.

LIABILITIES HEDGING

The interest rate risk on specific bond issues is hedged. In particular, hedging is carried out through the execution of a derivative contract for a single issue. The objective is to "transform" the issue rate into a floating rate linked to the 3 or 6-month Euribor. To this end, an Interest Rate Swap contract is stipulated where the active leg provides for the collection from the counterparty of the coupon to be paid to the bond subscribers, while the passive leg provides for the payment to the same counterparty of the floating rate indexed to Euribor plus or minus a certain spread. Bonds of this type are accounted for by adopting the fair value option and are represented in Item 30 of Liabilities.

As from 1 January 2014, the Bank decided to no longer issue fair value options, but to issue bonds allocated to Item 10.c. of Liabilities or at amortised cost and to hedge the related interest rate risks through OTC derivative contracts, recognising financial instruments in accordance with IAS 39 for the rules of hedge accounting (fair value hedging).

At 31 December 2023, there are no financial liabilities issued by the Bank and managed under hedge accounting.

1.2.2 Interest rate risk and price risk - Banking book

1. Banking book: breakdown by residual duration (by repricing date) of financial assets and liabilities EUR

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets	2,694,689	3,119,955	2,656,931	1,563,888	2,998,771	1,533,215	1,058,904	-
1.1 Debt securities	714	420,694	1,875,162	1,252,263	1,275,855	115,238	28,964	-
- with early repayment option	186	40,404	2,824	3,874	85,342	1,917	16,091	-
- other	528	380,290	1,872,338	1,248,389	1,190,513	113,321	12,873	-
1.2 Loans to banks	806,774	147,271	500	-	-	-	-	-
1.3 Loans to customers	1,887,201	2,551,990	781,269	311,625	1,722,916	1,417,977	1,029,940	-
- current account	695,116	5	-	455	9,664	-	-	-
- other loans	1,192,085	2,551,985	781,269	311,170	1,713,252	1,417,977	1,029,940	-
- with early repayment option	1,056,498	2,036,241	685,917	267,975	1,356,717	1,313,651	936,106	-
- other	135,587	515,744	95,352	43,195	356,535	104,326	93,834	-
2. On-balance sheet liabilities	8,313,472	2,029,098	749,657	2,616,697	1,511,938	182,394	174,949	-
2.1 Due to customers	8,285,058	1,298,186	485,559	661,520	835,417	87,110	169,295	-
- current account	8,086,631	157,599	247,627	441,755	522,786	8,426	-	-
- other payables	198,427	1,140,587	237,932	219,765	312,631	78,684	169,295	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	198,427	1,140,587	237,932	219,765	312,631	78,684	169,295	-
2.2 Due to banks	28,360	715,739	264,098	1,912,606	311,941	88,799	5,654	-
- current account	28,230	-	-	-	-	-	-	-
- other payables	130	715,739	264,098	1,912,606	311,941	88,799	5,654	-
2.3 Debt securities	-	15,173	-	42,571	364,580	6,485	-	-
- with early repayment option	-	-	-	37,570	-	6,485	-	-
- other	-	15,173	-	5,001	364,580	-	-	-
2.4 Other liabilities	54	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	54	-	-	-	-	-	-	-
3. Financial derivatives	-	327,681	583,337	(29,282)	(247,972)	(279,565)	(346,703)	-
3.1 With underlying security	-	(41)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(41)	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	41	-	-	-	-	-	-
3.2 Without underlying security	-	327,722	583,337	(29,282)	(247,972)	(279,565)	(346,703)	-
- Options	-	(45,260)	23,873	(455)	(5,740)	(10,971)	38,552	-
+ Long positions	-	42,936	37,336	3,588	373,925	29,230	38,552	-
+ Short positions	-	88,196	13,463	4,043	379,665	40,201	-	-
- Other derivatives	-	372,982	559,464	(28,827)	(242,232)	(268,594)	(385,255)	-
+ Long positions	-	393,961	579,100	13,995	-	-	-	-
+ Short positions	-	20,979	19,636	42,822	242,232	268,594	385,255	-
4. Other off-balance sheet transactions	(383,648)	168,304	14,187	-	288	115	-	-
+ Long positions	100,165	168,304	14,187	-	288	115	-	-
+ Short positions	483,813	-	-	-	-	-	-	-

1. Banking book: breakdown by residual duration (by repricing date) of financial assets and liabilities
Currency of denomination: OTHER CURRENCIES

Type/Residual duration	Demand	Up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years up to 10 years	Over 10 years	Indefinite duration
1. On-balance sheet assets	23,312	3,176	281	5,209	6,400	-	-	-
1.1 Debt securities	-	373	-	-	6,400	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	373	-	-	6,400	-	-	-
1.2 Loans to banks	23,219	-	-	-	-	-	-	-
1.3 Loans to customers	93	2,803	281	5,209	-	-	-	-
- current account	93	-	-	-	-	-	-	-
- other loans	-	2,803	281	5,209	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	2,803	281	5,209	-	-	-	-
2. On-balance sheet liabilities	26,489	-	-	-	-	-	-	-
2.1 Due to customers	26,489	-	-	-	-	-	-	-
- current account	26,034	-	-	-	-	-	-	-
- other payables	455	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	455	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current account	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	(7,470)	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(7,470)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	(7,470)	-	-	-	-	-	-
+ Long positions	-	6,835	5,313	14,187	-	-	-	-
+ Short positions	-	14,305	5,313	14,187	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ Long positions	-	4	-	-	-	-	-	-
+ Short positions	-	4	-	-	-	-	-	-

In consideration of the residual nature of the amounts in currencies other than the euro, they were all aggregated in the above table.

The effects of a change in interest rates of +/- 100 basis points are described below.

Risk exposure due to a change in interest rates of + 100 basis points:

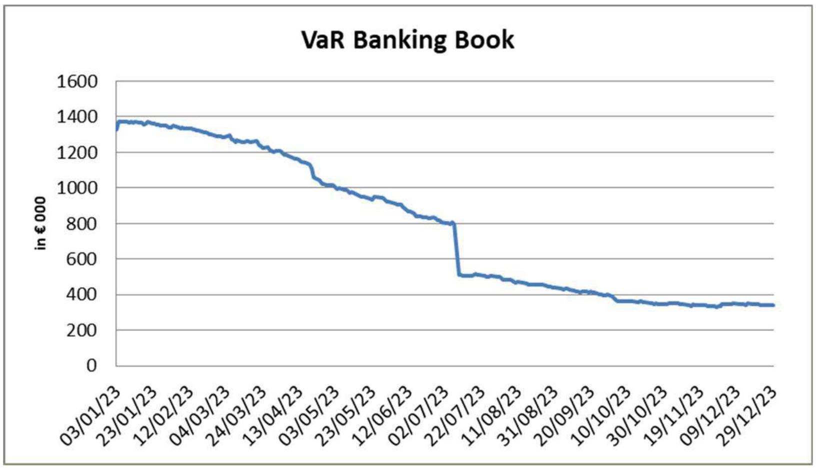
a. effect on net interest and other banking income in the following twelve	Euro 4,185 thousand
b. effect on profit for the year:	Euro (39,036) thousand
c. effect on shareholders' equity:	Euro (1,948) thousand

Risk exposure due to a change in interest rates of - 100 basis points:

a. effect on net interest and other banking income in the following twelve	Euro (4,019) thousand
b. effect on profit for the year:	Euro 38,913 thousand
c. effect on shareholders' equity:	Euro 1,994 thousand

2. Banking book: internal models and other methods for sensitivity analysis

The attached table shows the trend of risk during the year in terms of Value at Risk (VaR) (Monte Carlo methodology) on the asset positions in the banking book, limited to the exposure in securities. The measurement is based on a 99% confidence interval and a holding period of 1 day.



VaR values in the last 12 months:	Euro 000
Start of period:	1,329
End of period:	339
Maximum:	1,374
Minimum:	333
Average:	778

1.2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods for exchange rate risk

A.1 Sources of exchange rate risk

Exchange rate risk is the risk of incurring losses caused by adverse changes in exchange rates between foreign currencies and the euro in relation to all positions denominated in a foreign currency, both in the regulatory trading book and in the banking book.

The main sources of exchange rate risk are:

1. foreign currency loans and deposits with customers;
2. purchases of securities and other financial instruments in foreign currency;
3. trading of foreign banknotes;
4. collection and/or payment of interest, commissions, dividends, etc.

A.2 Internal exchange rate risk management and control processes

The management processes and measurement methods for exchange rate risk are similar to those indicated for interest rate and price risks.

For the purposes of quantifying capital requirements, the Group adopts the standardised methodology envisaged by the supervisory provisions.

B. Exchange rate risk hedging

In general, the Group's policy is to minimize exposure to exchange rate risk. To this end, foreign currency positions are normally hedged by carrying out funding and/or lending transactions in the same currency.

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	United States dollar	Kuna Croatia	Swiss Franc	Australian dollar	Norwegian krone	OTHER CURRENCIES
A. Financial assets	30,087	70	4,602	1,334	727	319
A.1 Debt securities	6,773	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	16,016	70	4,401	1,334	727	319
A.4 Loans to customers	7,298	-	201	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	597	-	290	4	13	13
C. Financial liabilities	18,779	-	4,589	1,331	677	27
C.1 Due to banks	-	-	-	-	-	-
C.2 Due to customers	18,779	-	4,589	1,331	677	27
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	950	-	61	-	-	-
E. Financial derivatives	-	-	-	-	-	-
- Options	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ Long positions	25,534	-	4,362	23	19	27
+ Short positions	29,878	-	4,533	-	7	29
Total Assets	56,218	70	9,254	1,361	759	359
Total Liabilities	49,607	-	9,183	1,331	684	56
Difference (+/-)	6,611	70	71	30	75	303

SECTION 3 - DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

1.3.1 Trading derivatives

A. Financial derivatives

A.1 Financial trading derivatives: notional amounts at the end of the period

Underlying assets/Types of derivatives	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	94,345	-	-	-	109,348	130
a) Options	-	-	94,345	-	-	-	109,348	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	130
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	-	340	-	-	-	1,567
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	340	-	-	-	966
e) Other	-	-	-	-	-	-	-	601
3. Currencies and gold	-	-	56,405	-	-	-	41,435	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	3,735	-	-	-	-	-
c) Forwards	-	-	52,670	-	-	-	41,435	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	150,750	340	-	-	150,783	1,697

A.2 Financial trading derivatives: gross positive and negative fair value - breakdown by product

Types of derivatives	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options	-	-	685	-	-	-	1,976	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	475	-	-	-	960	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	601
Total	-	-	1,160	-	-	-	2,936	601
2. Negative fair value								
a) Options	-	-	31	-	-	-	25	-
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	1	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	400	-	-	-	908	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	-	-	432	-	-	-	933	-

A.3 OTC financial trading derivatives - notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not falling under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	93,274	-	1,071
- positive fair value	X	685	-	-
- negative fair value	X	-	-	31
2) Equity securities and equity indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	30,070	-	26,335
- positive fair value	X	117	-	358
- negative fair value	X	291	-	109
4) Goods				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts falling under netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial derivatives: notional amounts

Underlying/Residual life		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		-	4,313	90,033	94,346
A.2 Financial derivatives on equity securities and equity indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		56,405	-	-	56,405
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	31/12/2023	56,405	4,313	90,033	150,751
Total	31/12/2022	45,751	4,239	101,394	151,384

1.3.2 Accounting hedges

A.1 Financial hedging derivatives: notional amounts at the end of the period

Underlying assets/Types of derivatives	Total 31/12/2023				Total 31/12/2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates	-	-	972,155	-	-	-	440,453	-
a) Options	-	-	18,665	-	-	-	22,618	-
b) Swaps	-	-	953,490	-	-	-	417,835	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	-	-	-	-	-	-	-	-
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Goods	-	-	-	-	-	-	-	-
5. Other	-	-	-	-	-	-	-	-
Total	-	-	972,155	-	-	-	440,453	-

A.2 Financial hedging derivatives: gross positive and negative fair value - breakdown by product

Types of derivatives	Positive and negative fair value								Change in value used to identify the ineffectiveness of the hedge	
	Total 31/12/2023				Total 31/12/2022				Total	Total
	Over the counter			Organised markets	Over the counter			Organised markets	31/12/2023	31/12/2022
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements			
Positive fair value										
a) Options	-	-	157	-	-	-	481	-	-	-
b) Interest rate swaps	-	-	37,668	-	-	-	60,049	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	-	-	37,825	-	-	-	60,530	-	-	-
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	-	-	24,566	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	-	-	24,566	-	-	-	-	-	-	-

A.3 OTC financial hedging derivatives - notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Central counterparties	Banks	Other financial companies	Other parties
Contracts not falling under netting agreements				
1) Debt securities and interest rates				
- notional amount	X	972,155	-	-
- positive fair value	X	37,825	-	-
- negative fair value	X	24,566	-	-
2) Equity securities and equity indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Goods				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts falling under netting agreements				
1) Debt securities and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity securities and equity indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Goods				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC financial hedging derivatives: notional amounts

Underlying/Residual life		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates		57,410	242,232	672,514	972,156
A.2 Financial derivatives on equity securities and equity indices		-	-	-	-
A.3 Financial derivatives on currencies and gold		-	-	-	-
A.4 Financial derivatives on goods		-	-	-	-
A.5 Other financial derivatives		-	-	-	-
Total	31/12/2023	57,410	242,232	672,514	972,156
Total	31/12/2022	21,433	89,676	329,344	440,453

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

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

A.1. General aspects

Liquidity risk is defined as the Group's inability or difficulty to fulfil its payment commitments. In particular, liquidity risk is considered in the following two cases identified as the sources generating liquidity:

- *Funding Liquidity Risk*: i.e. the risk that the Group may not be able to efficiently deal with current and future cash outflows, expected and unexpected, and any collateral requirements, without affecting daily operations or its financial position;
- *Market Liquidity Risk*: i.e. the risk that the Group may not easily sell a position at market prices due to insufficient market liquidity or due to turbulence in the market.

Liquidity risk is measured, managed and controlled based on different time horizons:

- *intra-day* in order to assess the ability to effectively manage its liquidity requirements during the operating day in light of the payments to be made (so-called "intra-day liquidity");
- *"Short-term" (normally up to one year)* in order to assess the adequacy of the assets that can be used to meet any funding requirements (so-called "operating liquidity");
- *"Medium-long term" (usually beyond the year)* in order to assess the financial balance of the Group with particular reference to the degree of transformation of maturities (so-called "structural liquidity").

Liquidity risk can be generated by various factors internal and external to the Group. The identification of these risk factors is achieved through:

- the analysis of the time distribution of cash flows from financial assets and liabilities as well as off-balance sheet transactions;
- the identification:
  - of items that do not have a defined maturity ("demand and revocable" items);
  - of financial instruments that incorporate optional components (explicit or implicit) that may change the size and/or the time distribution of cash flows (for example, early redemption options);
  - of financial instruments that by nature determine variable cash flows depending on the performance of specific underlying assets (for example, derivatives).

- the analysis of the level of seniority of the financial instruments.

The processes in which the Group's liquidity risk originates are mainly represented by the Finance/Treasury, Funding and Credit processes.

Impacts deriving from the Ukrainian-Russian conflict

The Group continuously monitors its liquidity profile in order to identify and carefully assess potential impacts due to the current geo-political environment.

A.2. Management processes and measurement methods for liquidity risk

A.2.1 Organisational aspects

In compliance with the supervisory provisions issued in this regard, the Group has defined the organisational and procedural controls for the supervisory provisions on the governance and management of liquidity risk. In particular, the regulation of the liquidity risk management process was defined, dividing it into the following phases:

- identification of liquidity risk;
- measurement of liquidity risk: in a context of "normal course of business" and in the event of stress;
- detection and monitoring of "early warning indicators";
- recognition of encumbered assets;
- liquidity risk monitoring;
- liquidity risk prevention/mitigation: definition and updating of operating limits, funding plan, funds transfer pricing system, escalation procedures for operating limits and risk indicators, Contingency Funding and Recovery Plan, plan to restore compliance with liquidity requirements;
- liquidity risk reporting and communication.

In compliance with the above-mentioned regulation, the methodological and organisational profiles for the measurement, management and control of liquidity risk are defined and formalised in the internal regulations in compliance with the aforementioned supervisory provisions. These regulations concern:

a) the **methodological profiles for measuring both short-term and structural liquidity risk,** which govern in detail the components to be considered and the related treatment, as well as the ratios and indicators to be quantified to determine the exposure to the aforementioned risk. In this regard, it should be noted that the measurement is carried out separately by adopting an approach:

   - "static", i.e. considering only transactions already in place at the measurement date, including forecast transactions. The Risk Management measures short-term liquidity risk on a daily basis, while structural liquidity risk is usually measured on a monthly basis;
   - "in the event of stress", i.e. in the case of particularly adverse unexpected scenarios that determine an increase in exposure to liquidity risk;

b) the **methodological profiles concerning the system of "warning indicators"** which governs the set of indicators (or "early warning indicators") adopted for the purpose of qualifying the reference operating context and the activation of the emergency plan. For each indicator adopted, the algorithm for the periodic valuation, the information sources to be used, the monitoring frequency and the company functions responsible for calculating the same indicators are explained. In this regard, to be noted is that, for each indicator, the ranges of values to be adopted for the qualification of the operating context are defined and updated by the Risk Monitoring Committee also to take into account the evolution of the context in which the Group operates.

The Risk Management Service is responsible for the overall monitoring of the system of early warning indicators. In the event that the values assumed by one or more early warning indicators qualify the reference operating context as a "stress situation", the Risk Management Service provides a specific report to the Chief Executive Officer -General Manager, taking into account the analyses carried out by the Risk Management Service and the Finance and Treasury Department;

c) the emergency plan (known as "Contingency Funding Plan") which governs the management of crisis situations attributable to the market or to specific situations of the Group. The main purpose of the Contingency Funding Plan is to protect the Group's assets in situations of liquidity drain by identifying the strategies to be implemented to manage the crisis and find sources of funding. Specifically, the Plan mainly defines:
   - the process of qualification of the operating context and the external and internal communication procedures, also addressed to the Board of Directors. In particular, due to the deterioration of the liquidity position, the operating context of "stress situation" is envisaged;
   - the parties/Corporate Bodies involved as well as the roles and responsibilities assigned in the event of activation of the emergency plan. The management of the "stress condition" is entrusted to the Risk Monitoring Committee;
   - the potential actions to be taken for the management of a "stress situation" and the estimated timeframe for the activation of the individual measure, in the event that there are no prerequisites for the activation of the Recovery Plan and the consequent adoption of the procedures provided therein.

Risk Management monitors the liquidity profile with reference to the short-term liquidity risk and in relation to the structural liquidity risk, while the measurement of intra-day liquidity risk is carried out by the Treasury Service as part of its daily operations.

The reporting system was also defined, specifying the objectives, content, frequency of preparation and recipients for each report.
The Basel Committee, as part of the Basel 3 framework, has introduced new liquidity requirements that require banks to maintain a minimum level of liquidity to deal with stress situations and ensure a balanced relationship between stable funding sources and loans. For short-term liquidity, the "Liquidity Coverage Ratio" (LCR) indicator was introduced:

This is a short-term liquidity constraint designed to ensure that the Group maintains sufficient high-quality liquid assets to meet liquidity stress situations.

The ratio of high-quality liquid assets to expected net cash outflows over the next 30 days, estimated based on a stress scenario, is required to be greater than 100% at all times (to be met on a consolidated basis in accordance with Article 460 CRR and Article 38 of Delegated Regulation (EU) 2015/61.

It should be noted that the calculation of the LCR in compliance with the provisions set out on a consolidated basis at 31 December 2023 is 221.16% and, therefore, well above the minimum binding requirement.

A.2.2 MEASUREMENT METHODS FOR LIQUIDITY RISK

A.2.2.1 Short-term liquidity risk

The measurement of the exposure to short-term liquidity risk in a normal course of business, aims to qualify the ability to meet its payment obligations in a condition of regular liquidity management. The measurement of exposure to operating liquidity risk is prepared from a current perspective. Exposure to short-term liquidity risk is quantified through the use of maturity brackets (known as Maturity ladder) which make it possible to assess, from both a current and a prospective view, the balance of expected cash flows by comparing the cash inflows and outflows within the same maturity bracket.

For the quantification of short-term liquidity risk, from a current perspective, the Group:

- determines, for each time bracket of the maturity ladder, the inflows and outflows related to on-balance sheet assets and liabilities as well as to off-balance sheet transactions;
- identifies and quantifies the Counterbalancing Capacity (CBC) and the liquidity reserve;
- estimates the availability/requirements relating to the management of the compulsory reserve (ROB).

In quantifying the cash flows for each bracket, reference is made to both the capital and interest profiles. With reference to transactions with a repayment plan, the residual contractual duration of the individual instalments is determined.

The Counterbalancing Capacity is the set of assets that can be sold or used in refinancing transactions (for example, repo transactions) and which therefore make it possible to obtain liquidity over the forecast horizon considered. The assets that can be readily liquidated are included in the Counterbalancing Capacity by reference to the market value net of a haircut.

For each maturity of the maturity ladder, the periodic gaps and the cumulative imbalances are quantified in order to show the net balance of the financial requirement (or surplus).

The imbalances in the bracket are calculated by comparing the cash inflows and outflows, allocated in the same time bracket. Otherwise, the cumulative imbalances for each bracket of the maturity ladder are determined as follows:

Cumulative gap$_{0,t}$= [(Cash inflows$_{0,t}$- Cash outflows$_{0,t}$) +Total liquidity reserves$_{0,t}$

Exposure to liquidity risk, in addition to the normal course of business, is also measured under stress conditions. The "stress tests" are techniques through which it is possible to assess the impact of negative events on the exposure to risk and on the adequacy of the liquidity reserves in terms of quantity and quality.

In order to carry out the "stress tests", the "risk factors" are identified in advance, i.e. the variables whose performance may worsen the exposure to risk. The set of variables considered in the "stress tests" define the adverse scenario.

With reference to the stress tests related to short-term liquidity risk, they are distinguished on the basis of the nature of the causes that determine the stress condition. In particular, stress situations are considered separately:

- of an "idiosyncratic" nature, i.e. attributable to causes specifically attributable to the Group or to the individual Entity;
- "systemic" in nature, i.e. connected to a situation of instability in the monetary and financial markets.

The assumptions underlying the scenarios are considered realistic but, at the same time, adequately conservative with reference to the severity and duration of the simulated shock. The duration of the scenario concerns the time horizon in which the stress situation occurs.

The Parent Bank carries out a monthly stress test on operational liquidity by calculating the Liquidity Coverage Requirement (LCR), which is aimed at strengthening the short-term profile of liquidity risk by ensuring that the Parent Bank has a sufficient level of liquidity reserves to overcome an acute 30-day stress situation.

The LCR indicator is measured on a quarterly basis with a view to stress, analysing the impact deriving from adverse events and scenarios on the indicator itself.

A.2.2.2 Structural liquidity risk

The measurement of structural liquidity risk, in a context of the normal course of business, aims to identify any structural imbalances between assets and liabilities due beyond one year. The quantification of the exposure to structural liquidity risk is necessary in order to prevent and manage the risks deriving from a high transformation of maturities avoiding the emergence of situations of future liquidity tension.

The medium/long-term liquidity risk measurement method is based on an approach that compares cash inflows and outflows for each maturity ladder. In particular, the maturity ladder is constructed:

- by identifying one or more brackets with a maturity of less than one year;
- by adopting, for longer maturities, a number of brackets at least equal to that provided by supervisory regulations for the calculation of the exposure to interest rate risk on the Banking book;
- by setting a specific bracket for items that are not subject to disbursement and items of indefinite duration respectively.

For the calculation of structural liquidity risk, the following are considered:

- the technical forms that provides for a specific contractual profile by maturity (e.g. loans to customers, bond loans);
- demand items that do not have a contractual maturity profile (current accounts receivable and payable, demand deposits);
- other technical forms that by nature do not have a contractual profile by maturity (equity items, provisions for risks and charges, equity securities, UCITS, property, plant and equipment, etc.).

The technical forms with a contractual maturity profile are placed, based on said maturity, in the relevant maturity brackets of the maturity ladder. As regards on-demand items concerning both funding and loans to customers, the model used makes it possible to identify:

- a structural component, i.e. the amount that is considered "stable" over time and, therefore, to be placed in the "indefinite" range;
- a non-structural component, i.e. the amount that is considered "volatile" over time and, therefore, to be placed in the maturity bracket according to a specific time profile that reflects the expected incoming/outgoing cash flows.

As regards the monitoring of the Group's structural liquidity position, the Net Stable Funding Ratio (NSFR) is also calculated at management level. This indicator identifies the ratio of Available Stable Funding (available amount of stable funding) to Required Stable Funding (necessary amount of stable funding).

It should be noted that the calculation of the NSFR in compliance with the provisions, set out on a consolidated basis at 31 December 2023 is 127.47%, well above the minimum binding requirement (100%) that came into effect in June 2021.

B. Evolution of exposure to liquidity risk

During the year, the Group implemented a number of initiatives aimed at limiting its exposure to liquidity risk. As part of the 2024 Funding Policy, the Group has identified specific initiatives aimed at:

- guaranteeing an amount of liquidity reserves in order to maintain levels well above the required regulatory requirements;
- setting up a buffer to face the risk of any significant outflows of deposits as well as supporting loans to customers;
- the diversification of funding sources;
- facing the return to restrictive monetary policies by the ECB.

The Group's exposure to unexpected cash outflows mainly concerns:

- liability items that do not have a defined maturity (primarily current accounts payable and demand deposits);

- liabilities at maturity (certificates of deposit, term deposits) which, at the request of the depositor, can be repaid in advance;
- its own bonds listed on the HiMTF market, for which the Group has undertaken a commitment to repurchase;
- the margins available on the credit lines granted.

Furthermore, the exposure of the Group to the impacts due to moratoria and non-repayment of loans granted is specified.

Recourse to refinancing with the ECB at 31 December 2023 amounted to Euro 2,673.85 million and is represented by funding from the participation in the lending operations called Targeted Long Term Refinancing Operations (TLTRO-III) and Long Term Refinancing Operations (LTRO).

At 31 December 2023, the Group had a large amount of liquid assets that was largely sufficient to meet its liquidity requirements, even in the event of stress. In fact, at the aforementioned date, the LCR indicator has a value well above that required by the mandatory requirements. The Group's liquid assets are represented almost exclusively by securities issued by the Italian government and by the amount of exposure to the Central Bank. From a structural point of view, the Group, at 31 December 2023, has a structure by maturity brackets that is sufficiently balanced in that it has a stable amount of funding sufficient to balance medium/long-term assets. In particular, with reference to the maturity profile, the amount of medium/long-term assets, represented mainly by mortgages and loans to customers, is balanced by stable funding, represented not only by assets, but also by medium/long-term liabilities and on-demand liabilities which, however, show high stability rates based on contractual characteristics and depositors.

With regard to the concentration of funding sources at 31 December 2023, it should be noted that:

- the incidence of deposits from the top 10 non-banking counterparties on total deposits from ordinary customers was 7.59%;
- the ratio of retail funding to total funding used in the calculation of the LCR indicator is 69.58%;
- the ratio of the amount of certificates of deposit, term deposits and bonds maturing for each of the following 12 months to the total of the same outstanding instruments is limited and in any case never exceeds 11%.

1.4 - Liquidity risk - A. General aspects, management processes and measurement methods for liquidity risk
Quantitative information

1. Time breakdown by residual contractual duration of financial assets and liabilities

Currency of denomination: EURO

Items/Time brackets	Demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite duration
On-balance sheet assets	865,562	65,615	28,161	131,941	713,156	954,699	2,227,595	5,659,538	4,537,125	99,281
A.1 Government bonds	2,049	-	12,773	1	200,386	484,032	1,395,459	1,977,702	521,850	-
A.2 Other debt securities	6,166	-	127	9,932	12,523	48,765	52,007	236,176	102,579	-
A.3 UCITS units	141,302	-	-	-	-	-	-	-	-	-
A.4 Loans	716,045	65,615	15,261	122,008	500,247	421,902	780,129	3,445,660	3,912,696	99,281
- Banks	8,227	41,760	-	6,324	-	510	-	-	-	99,281
- Customers	707,818	23,855	15,261	115,684	500,247	421,392	780,129	3,445,660	3,912,696	-
On-balance sheet liabilities	8,470,881	361,388	232,088	199,339	937,997	713,458	2,566,643	1,624,581	510,728	-
B.1 Deposits and current accounts	8,461,380	68,316	29,410	100,302	217,764	481,194	669,925	766,653	8,042	-
- Banks	177,718	54,160	-	18,129	-	-	-	-	-	-
- Customers	8,283,662	14,156	29,410	82,173	217,764	481,194	669,925	766,653	8,042	-
B.2 Debt securities	-	-	-	-	611	178	8,195	444,357	44,270	-
B.3 Other liabilities	9,501	293,072	202,678	99,037	719,622	232,086	1,888,523	413,571	458,416	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	340	4,628	1,904	4,545	4,054	5,337	13,995	-	-	-
- Short positions	-	3,655	1,898	814	4,388	5,325	13,944	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	33	-	-	1,569	2,688	4,166	8,168	350,179	-	-
- Short positions	31	-	-	-	-	32	-	350,179	-	-
C.3 Deposits and loans to be received										
- Long positions	-	147,281	-	-	-	-	-	-	-	-
- Short positions	147,281	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	1,766	-	-	61	172	151	5,987	4,283	123,356	-
- Short positions	336,532	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

1. Time breakdown by residual contractual duration of financial assets and liabilities
Currency of denomination: OTHER CURRENCIES

Items/Time brackets	Demand	Over 1 day up to 7 days	Over 7 days up to 15 days	Over 15 days up to 1 month	Over 1 month up to 3 months	Over 3 months up to 6 months	Over 6 months up to 1 year	Over 1 year up to 5 years	Over 5 years	Indefinite duration
On-balance sheet assets	23,366	217	372	91	2,565	289	5,569	6,787	-	-
A.1 Government bonds	-	-	-	-	42	-	42	6,787	-	-
A.2 Other debt securities	-	-	-	-	378	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	23,366	217	372	91	2,145	289	5,527	-	-	-
- Banks	23,276	-	-	-	-	-	-	-	-	-
- Customers	90	217	372	91	2,145	289	5,527	-	-	-
On-balance sheet liabilities	26,491	-	-	-	1	-	-	-	-	-
B.1 Deposits and current accounts	26,491	-	-	-	1	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	26,491	-	-	-	1	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	3,697	1,993	814	4,027	5,313	14,187	-	-	-
- Short positions	-	4,692	1,993	4,549	4,027	5,313	14,187	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	4	-	-	-	-	-	-	-	-
- Short positions	-	4	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

SECURITISATION OF CREDITS - SPARKASSE

On 1 July 2009, 1 November 2011, 1 July 2014 and 1 May 2018, pursuant to Law 130/1999, four securitisation transactions were carried out on performing loans (called FANES 1, FANES 2, FANES 3 and FANES 4) transferring without recourse to the specially established special purpose entity Fanes S.r.l., a portfolio of performing residential mortgages secured by mortgages for Euro 481.9, 575.8, 509.8 and 507.2 million, respectively.

On 1 May 2020, the Bank completed a fifth securitisation transaction (FANES 5) of performing loans, transferring without recourse to the special purpose entity Fanes S.r.l., no longer a portfolio of residential mortgages, but a portfolio of loans disbursed to companies, for an amount of Euro 748.9 million. The issue of the Notes is of the "rump-up" type and therefore allows for subsequent increases in the securitised portfolio for a maximum value of the Senior Notes of Euro 2 billion and for the Junior Notes of Euro 1 billion over a defined period of time which ended on 29 June 2022.

All transactions, carried out with the assistance of the arranger Finanziaria Internazionale S.r.l., are classified as "self-securitisations" as the loans sold are always recorded in the balance sheet assets and the securities issued by the special purpose entity have been fully subscribed, and have the objective of strengthening liquidity control through the availability of securities called ABS (Asset Backed Securities) that can be readily used as collateral for refinancing with the European Central Bank.

In 2016, in 2018 and in 2022, the Bank decided to remodulate and make the securitisations more efficient, closing the first, second and third securitisation respectively, after the latter in 2018 had been restructured (size increase) through the sale of an additional portfolio (consisting of part of the loans repurchased in the context of the unwinding and other residential mortgages disbursed by the Bank, especially in the last two years) of approximately Euro 530 million, and the consequent increase in the nominal amount of the asset-backed securities issued in the context of this securitisation, and opening, again in 2018, the fourth transaction in which the residual receivables of the second and a newly disbursed package were merged.

At the end of 2023, the outstanding issues are summarised below:

FANES 4

Security	Nominal amount	Seniority	Expiry date	External rating	First coupon detachment
IT0005336018	355,900,000	Senior A1	24.12.2061	Moody's Aa3 S&P AA	24.09.2018
IT0005336026	90,000,000	Senior A2	24.12.2061	Moody's Aa3 S&P A+	24.09.2018
IT0005336034	61,315,000	Junior	24.12.2061	-	24.09.2018

It should be noted that on 13 February 2019 the Bank sold the entire amount of the Senior A1 tranche of the Fanes 4 transaction to institutional investors. As the risk profile for the Bank does not change, the transaction maintains its characteristics unchanged, i.e. the underlying financial assets are not derecognised. An item representing the payable to the securitisation special purpose entity is recorded under liabilities, which is reduced from time to time together with the pool factor repayments of the Notes.

FANES 5

Security	Nominal amount	Seniority	Expiry date	External rating	First coupon detachment
IT0005412363	479,300,000 (rump-up to 2,000,000,000) 29.06.2022 increase of 286,515,626	Senior	28.06.2060	DBRS A S&P A+	28.09.2020
IT0005412371	269,583,000 (rump-up to 1,000,000,000) 29.06.2022 increase of 49,307,819	Junior	28.06.2060	-	28.09.2020

On 29 June 2022, the Bank proceeded with a rump-up of the securitised portfolio translated into an increase of Euro 286,515,626 for the Senior notes and Euro 49,307,819 for the Junior notes.

As stated, the "Senior" tranches are used for refinancing transactions, while the "Equity" tranches ("Junior" tranches) that represent the security on which the risk of insolvency weigh are in the portfolio of the Bank.

The securitisation transactions have no impact on customers, who, as required by law, are notified of the transfer of loans.

The Bank, in its role as servicer, continues to manage the payment flows and all other activities related to the normal management of loans, as well as to report to the SPE on the performance of the transactions.

The transactions structured in this way do not constitute securitisation risk pursuant to Pillar 1 and Pillar 2 of Basel 2 regulations.

For all securitised loans, the same management and measurement criteria used for the remaining loans are adopted.

SECURITISATION OF LOANS FOR THE ISSUE OF COVERED BONDS

In 2022, the Parent Bank established a Program for the issue of Covered Bonds (CB) with a maximum amount of Euro 3,000 million. This type of bond is backed by a double guarantee to protect bondholders: on the one hand, by the assets of the issuing bank and, on the other hand, in the event of default, by the segregated assets of a special purpose vehicle, legally independent from the issuing bank and dedicated exclusively to the assumption of guarantees in favour of the CB bondholders. In this regard, the Parent Bank has taken on the controlling interest (60% of the share capital) in the company SPK OBG S.r.l., established specifically to acquire in its segregated assets the assets sold by the Bank and which represent the assets on which SPK OBG S.r.l. issues guarantees to holders of CBs issued by the Bank. The remaining 40% of the share capital is held by a Stichting under Dutch law. The initial portfolio of performing residential mortgages sold by the Bank to SPK OBG S.r.l. in the first half of 2022 amounted to approximately Euro 450 million, whose consideration SPK OBG S.r.l. paid through a subordinated loan granted by the same Bank.

With the structuring of the CB program, the Parent Bank has equipped itself with a highly competitive collection tool that allows, among other things, to adopt a

- an additional medium/long-term funding channel suitable to meet structural financing needs,
- a tool that tends to be easy to place on the institutional market,
- a rapid issue instrument, which can also be refinanced directly by the European Central Bank.

In June of 2022, the Bank carried out the first issuance of a Covered Bond with ISIN code IT0005497141 as part of the aforementioned program and with the following characteristics:

- nominal amount: Euro 300 million
- duration: from 8 June 2022 to 8 June 2028, extendable to 8 June 2029
- fixed rate for the entire life of the security equal to 0.5% p.a.
- rating assessment by Fitch Ratings: AA

At least initially, this first issue was fully subscribed by the Bank itself and deposited with the European Central Bank as a pledge for the existing TLTRO-III loans. At the end of 2023, the bond was used as the underlying asset of Repo transactions with a duration of 24 months.

In November 2023, the Parent Company carried out a second issue of covered bonds, this time also transferring a portfolio of loans of the subsidiary Banca di Cividale, with ISIN code IT0005571028 as part of the above program and with the following characteristics:

- nominal amount: Euro 250 million
- duration: from 28 November 2023 to 28 November 2027, extendable until 28 November 2028
- fixed rate for the entire life of the security equal to 3.0% p.a.
- rating assessment by Fitch Ratings: AA.

This bond, fully subscribed by the Parent Company, was also used as the underlying of repurchase agreements.

SECURITISATION OF LOANS - CIVIBANK

A. Financial assets sold and not fully cancelled

QUALITATIVE INFORMATION

Securitisation transactions

In the framework of the various measures aimed at strengthening the management of liquidity risk exposures, the Bank has carried out securitisation transactions out in order to increase the assets liquidity degree and prudentially increase the availability of financial instruments that can be allocated for funding transactions with the European Central Bank or in any case that can be used as collateral in financing transactions beyond the short-term with institutional and market counterparties. Consistent with these purposes, all the asset-backed securities issued by the SPE established pursuant to Law 130/99 are fully subscribed by the Bank, for the Civitas Spv Srl - RMBS - SME - 2019 transactions, while for the Civitas Spv Srl - RMBS - 2017 transaction the Bank holds only the Junior securities (consequently retaining the credit risk relating to the underlying loans disbursed) as well as partially the senior title. Consequently, since the substantiality of the risks/benefits linked to the transferred portfolio has been retained, the loans were not cancelled from the balance sheet assets. A summary table is provided below for each of the securitisation transactions carried out. A summary table is provided below for each of the securitisation transactions carried out.

Main Information	
Date of completion of the transaction	Jul-17
SPV	Civitas Spv Srl
Transaction object	Performing residential mortgages
Banks/Originator Groups	Banca di Cividale S.p.A.
Total original amount of the receivables transferred by	
Banca di Cividale	253 million
RMBS Restructuring 2018	112 million
RMBS Restructuring 2019	106 million
RMBS Restructuring 2020	147 million
Total amount of receivables transferred by BDC	618 million
Notes issued, subscribed and held by Banca di Cividale	600 million
of which senior notes a	*46 million*
of which senior notes b	*228 million*
of which mezzanine securities	*51 million*
of which junior notes	*93 million*
Initial rating of senior notes	A Standard&poor's - AA DBRS
Final balance TQ of notes held at 31/12/2023	251 million
Senior notes rating	AA Standard&poor's - AAA DBRS

Main Information	
Date of completion of the transaction	Oct-19
SPV	Civitas Spv Srl
Transaction object	Performing loans to SMEs
Banks/Originator Groups	Banca di Cividale S.p.A.
Total original amount of the receivables transferred by	
Banca di Cividale	451 million
Total amount of receivables transferred by BDC	451 million
Notes issued, subscribed and held by Banca di Cividale	458 million
of which senior notes	*320 million*
of which mezzanine securities	*50 million*
of which junior notes	*88 million*
Initial rating of senior notes	A Standard&poor's - A+ DBRS
Final balance TQ of notes held at 31/12/2023	184 million
Senior notes rating	A Standard&poor's - AA+ DBRS

Section 4 - Operational Risks

QUALITATIVE INFORMATION

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

Operational risk is defined as the risk of incurring losses deriving from the inadequacy or malfunction of procedures, human resources and internal systems, or from external events. This category includes, inter alia,

losses deriving from fraud, human error, interruption of operations, unavailability of systems, contractual defaults. Operational risk includes legal risk, while strategic and reputational risks are excluded.
Based on the regulatory definition, operational risk, as part of the banking business, is generated across all business processes and is attributable to seven risk categories called "Event type". Specifically, the risk classes are broken down into: internal fraud, external fraud, employment relationships and safety at work, professional obligations towards customers or nature and characteristics of products, damages from external events, failure of IT systems and execution, delivery and management of processes. The outsourced activities also contribute to increasing the exposure to operational risk.
At the regulatory level, to date, the Group measures the capital requirement on operational risk according to the "basic method" envisaged by the prudential supervisory provisions. This methodology consists in applying the 15% "regulatory coefficient" to the relevant indicator defined in Article 316 of Regulation (EU) no. 575/2013 (CRR).
At management level, the Group has strengthened the organisational and management structure, the relative controls and the reporting methods, adopting an internal system for collecting operational events and implementing a dedicated database. In addition to operational losses, reports also cover operational events with no economic impact.
Based on the scope of definition of operational risk, which also includes exposure to legal risk, and in order to minimise exposure in terms of impact and frequency, the Parent Bank has strengthened its operational risk management oversight through the implementation and monitoring of the Key Risk Indicators (KRIs) dashboard and the performance of Risk Self Assessment (RSA) and, finally, the provision of an online training course.
The KRIs are indicators used by the Group to identify in advance the riskiness of typical banking activities. Within the operational risk framework, they represent the forward-looking component of management, as they anticipate potential increases in exposure to operational risk that could threaten the operational continuity of day-to-day activities and existing projects.
The Risk Self Assessment (RSA), on the other hand, provides Group Management with a tool capable of expressing a qualitative assessment of the process risks identified at Group level. Therefore, it allows to identify, classify and measure the identified risks to which the Group is potentially exposed.
In 2022, the subsidiary CiviBank has implemented the Parent Company's operational risk management process, in 2023 the Group-wide application Loss Data Collection GRC was adopted.

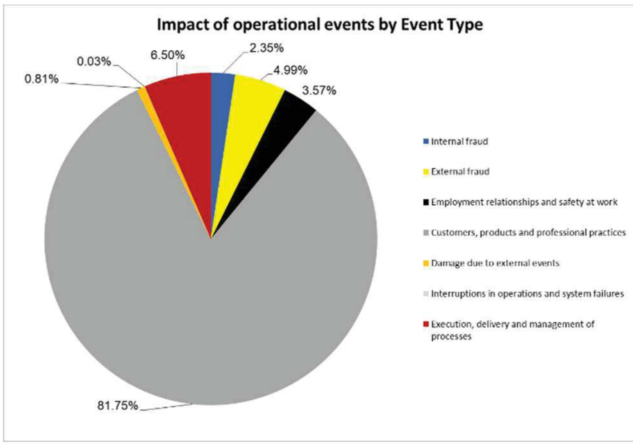
Impacts deriving from the Ukrainian-Russian conflict

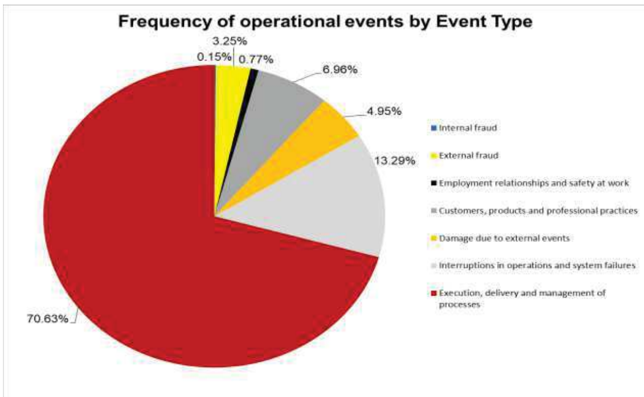
For 2023, no operational events relating to the Ukrainian-Russian conflict were reported.

QUANTITATIVE INFORMATION

The following graphs show the distribution by frequency and economic impact of the operational events of the Banking Group that did not necessarily generate a loss, recorded in 2023 and broken down into the seven regulatory risk categories.

Event type	2023		
	Frequency	Impact	
ET 1 Internal fraud	1	€	68,304
ET 2 External fraud	21	€	145,175
ET 3 Employment relationships and safety at work	5	€	103,929
ET 4 Customers, products and professional practices	45	€	2,378,877
ET 5 Damage due to external events	32	€	23,433
ET 6 Interruptions in operations and system failures	86	€	820
ET 7 Execution, delivery and management of processes	457	€	189,234
Total	**647**	**€**	**2,909,772**





The breakdown by Event Type shows that the risk classes most impacted in terms of total amount are: "Customers, products and professional practices" and "Execution, delivery and management of processes" which respectively represent 81.75% and 6.5% of the total amount.

In terms of frequency, on the other hand, the most impacted risk classes are: "Execution, delivery and management of processes" (70.63%) and "Interruptions in operations and system failures" (13.29%).

PUBLIC DISCLOSURE

As required by Bank of Italy Circular no. 285 "Supervisory provisions for banks", it should be noted that the information pertaining to the "Public disclosure" and the "Country-by-country public disclosure" is published on the Parent Bank's website www.caribz.it by the deadline set forth by the law.

Part F
Information on Consolidated shareholders' equity

Part F - Information on Consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

A. Qualitative information

The notion of Shareholders' Equity is used in reference to the share capital and the share premium, net of the reserves for treasury shares repurchased, to the profit and other reserves, including those from valuation, and includes the net profit/loss for the year.

The Group has always paid attention to the management of own capital, through the set of policies and choices necessary so that, through the optimal combination of different capitalisation instruments, the size of the capital is defined so as to ensure that the capital requirements of the Group comply with the limits imposed by regulations and are consistent with the assumed risk profile.

B. Quantitative information

B.1 Consolidated shareholders' equity: breakdown by type of company

Shareholders' Equity items	Prudential consolidation	Insurance companies	Other companies	Consolidation eliminations and adjustments	Total
1. Share capital	485,917		4,626	(4,602)	485,941
2. Share premiums	183,599		1,556	(1,552)	183,603
3. Reserves	349,334		2,474	(1,818)	349,989
4. Equity instruments	45,200				45,200
5. (Treasury shares)	(11,172)				(11,172)
6. Valuation reserves:	22,242				22,242
- Equity securities designated at fair value through other comprehensive income	2,051				2,051
- Hedging of equity securities designated at fair value through other comprehensive income					
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	1,565				1,565
- Property, plant and equipment	56,567				56,567
- Intangible assets					
- Foreign investment hedges					
- Cash flow hedges					
- Hedging instruments [non-designated elements]					
- Exchange rate differences					
- Non-current assets and groups of assets held for sale					
- Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)					
- Actuarial gains (losses) on defined benefit plans	(40,069)				(40,069)
- Portions of valuation reserves of equity-accounted investments					
- Revenues or costs of a financial nature relating to insurance contracts issued					
- Revenues or costs of a financial nature relating to transfers under reinsurance					
- Special revaluation laws	2,128				2,128
7. Profit (Loss) for the year (+/-) attributable to the group and minority interests	81,670		(603)	1,145	82,212
Total	1,156,791		8,053	(6,827)	1,158,017

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

Assets/values	Prudential consolidation		Insurance companies		Other companies		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	3,867	(2,302)	-	-	-	-	-	-	3,867	(2,302)
2. Equity securities	3,587	(1,536)	-	-	-	-	-	-	3,587	(1,536)
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	7,454	(3,838)	-	-	-	-	-	-	7,454	(3,838)
Total 31/12/2022	10,871	(6,567)	-	-	-	-	-	-	10,871	(6,567)

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	(4,327)	8,631	-
2. Positive changes	6,222	779	-
2.1 Fair value increases	299	294	-
2.2 Value adjustments for credit risk	41	X	-
2.3 Reversal to the income statement of negative realised reserves	2,350	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	485	-
2.5 Other changes	3,531	-	-
3. Negative changes	(330)	(7,359)	-
3.1 Fair value reductions	(273)	(10)	-
3.2 Write-backs for credit risk	(57)	-	-
3.3 Reversal to the income statement from positive reserves: realised	-	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	(7,349)	-
3.5 Other changes	-	-	-
4. Closing balance	1,565	2,051	-

B.4 Valuation reserves relating to defined benefit plans: annual changes

	Reserve
1. Opening balance	(41,387)
2. Positive changes	2,811
2.1 Actuarial gains relating to defined benefit plans	42
2.2 Other changes	2,769
2.3 Business combinations	
3. Negative changes	(1,492)
3.1 Actuarial losses relating to defined benefit plans	(770)
3.2 Other changes	(722)
3.3 Business combinations	
D. Closing balance	(40,069)

The amounts under "Other changes", as increases and decreases, refer respectively to deferred taxes calculated on the allocation to the reserve and to the actual return of investments for positive changes, and to the interest cost of the underlying management for negative changes.

The actuarial gains or losses referring to the defined benefit plan are shown in point 3.1 of the table.

For further details on the discounting assumptions applied, please refer to Section 10 of Liabilities.

Section 2 - Own funds and bank supervisory ratios

2.1 Scope of application of the legislation

On 1 January 2014, the new harmonised regulations for banks and investment companies contained in Regulation (EU) no. 575 (CRR - Capital Requirements Regulation) of 26.06.2013 and in Directive (EU) no. 36

(CRD IV - Capital Requirements Directive) of 26.06.2013 which transpose in the European Union the standards defined by the Basel Committee for banking supervision (known as Basel 3) entered into force.
As part of a complex process of reviewing the supervisory regulations of banks, the Bank of Italy issued Circular no. 285 "Supervisory provisions for banks" of 17 December 2013, which almost entirely replaces Circular no. 263/2006, and with which:

- the national options set out in the CRR were exercised,
- the secondary technical provisions of CRD IV were transposed.

On the same date, the Bank of Italy also issued Circular no. 286 "Instructions for the compilation of prudential reports for banks and real estate brokerage companies" which replaces Circular no. 155/1991 and defines the reporting formats:

- of "harmonised" prudential supervisory reports in compliance with the relevant EBA technical standards: own funds, credit and counterparty risk, market risk, operational risk, large exposures, recognition of mortgage losses, overall capital position, liquidity monitoring and financial leverage;
- of "non-harmonised" prudential supervisory reports: related parties.

On 7 October 2016, the 18th update of the "supervisory provisions for banks" pursuant to Circular no. 285 of 17 December 2013 was published on the official website of the Bank of Italy itself.
The above-mentioned update concerned the amendment of the capital conservation buffer (CCB) requirement set forth in Part One, Title II, Chapter I, Section II of the Circular in question in order to transpose the provisions contained in the EU Directive no. 36/2013 (CRD IV) as well as to reduce the divergences between national regulations, in line with the action initiated by the Single Supervisory Mechanism (SSM) to minimize the differences in the prudential regulations applicable to banks.
This regulatory measure provides that banks, at both individual and consolidated level, are required to apply a minimum capital buffer ratio of:

- 1.25% from 1 January 2017 to 31 December 2017;
- 1.875% from 1 January 2018 to 31 December 2018;
- 2.5% from 1 January 2019.

This update entered into force on 1 January 2017.
The minimum capital ratios to be complied with for 2023, pursuant to Article 92 CRR, are therefore the following:

- Common Equity Tier 1 capital ratio (CET1 ratio) of 4.5% + 2.5% of the Capital Conservation Buffer (CCB)
- Tier 1 capital ratio of 6.0% + 2.5% of CCB
- Total capital ratio of 8% + 2.5% of CCB.

On 29 March 2021, the Bank of Italy informed the Cassa di Risparmio di Bolzano Group that, taking into account the overall assessment elements available to the Supervisory Authority on the business situation of the banking group, it decided not to adopt a new capital decision as a result of the 2020 SREP cycle.
As a result of the entry into force of IFRS 9, a revision of the prudential rules (CRD/CRR) for the calculation of capital absorption was also envisaged. In this regard, Regulation (EU) 2017/2395 published on 27 December 2017 envisages, as an option, the possibility for financial institutions to adopt a transitional regime where they can reinstate to CET1 the adjustments resulting from the adoption of the impairment model of the new standard, with a "phase-in" mechanism over a period of 5 years starting from 2018; the Bank has adopted the transitional regime (static approach) to measure the impacts of the new standard on regulatory capital. The option for the transitional regime sets forth that the higher allocations deriving from the first application of the standard, net of the tax effect, are excluded from the calculation of prudential requirements, according to a decreasing weighting factor (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022). It should be noted that in the year 2023 the transitional period referred to above expired.
It should also be noted that the Cassa di Risparmio di Bolzano Group, on 10 December 2020, forwarded a specific request to the Bank of Italy aimed at obtaining authorisation for the full application of the transitional provisions on IFRS 9 provided for in Article 473-bis of Regulation (EU) 575/2013 (CRR), as amended by

Regulation (EU) 873/2020 of 24 June 2020. Specifically, the authorisation concerns the application of the transitional regime on expected credit losses calculated in accordance with IFRS 9.
By means of a provision of 23 December 2020, the Bank of Italy authorised the Cassa di Risparmio di Bolzano Group to fully apply the above provisions on a separate and consolidated basis.
With reference to 31 December 2023, it should be noted that the non-application of the transitional regime envisaged by Article 473-bis of Regulation (EU) no. 575/2013 would have led to a (negative) impact of -9 bps on CET 1.
On 20 September 2022, the Cassa di Risparmio di Bolzano Group communicated to have received from the Bank of Italy, at the conclusion of the annual Supervisory Review and Evaluation Process (SREP) conducted during 2021, the notification of the decision on the prudential requirements to be met on a consolidated basis. With letter no. 1134751/22 of 22.07.2022, the Supervisory Authority had announced the initiation of the ex-officio procedure relating to the imposition of capital requirements in addition to the minimum capital ratios envisaged by the regulations in force in relation to risk exposure.
The communication received on 22.09.2022 confirmed the quantitative requirements, the qualitative requirements and the recommendations formulated by the Supervisory Authority in the letter of 22 July 2022. In particular, the Cassa di Risparmio di Bolzano Group will be required to continuously comply with the following capital requirements at consolidated level, without prejudice to compliance with the minimum capital requirement set forth in Article 92 of Regulation (EU) no. 575/2013:

- Common Equity Tier 1 capital ratio (CET 1 ratio) of 7.70%, consisting of a binding measure of 5.20% (of which 4.50% against the minimum regulatory requirements and 0.70% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Tier 1 capital ratio (Tier 1 ratio) of 9.40%, consisting of a binding measure of 6.90% (of which 6.00% against minimum regulatory requirements and 0.90% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer;
- Total capital ratio of 11.75%, consisting of a binding measure of 9.25% (of which 8.00% against the minimum regulatory requirements and 1.25% against the additional requirements determined as a result of the SREP) and for the remainder of the capital conservation buffer.

In order to ensure that the binding measures are respected even in the event of a deterioration in the economic and financial context, the Bank of Italy has also requested that the Cassa di Risparmio di Bolzano Group continuously maintain a Target Component for each of the capital ratios (Pillar 2 Guidance - P2G), against a greater exposure to risk under stress conditions, equal to 1.25%, such as to determine the following capital requirements at consolidated level:

- common equity tier 1 capital ratio (CET 1 ratio) of 8.95%;
- tier 1 capital ratio (Tier 1 ratio) of 10.65%;
- total capital ratio of 13.00%.

In this regard, the Cassa di Risparmio di Bolzano Group reiterates that at 31 December 2023, the CET1 Ratio, Tier 1 Ratio and Total Capital Ratio, calculated according to the transitional regulations (IFRS 9 phased-in), stood at satisfactory values, with an adequate margin compared to the thresholds provided. The level of fully-phased ratios was also higher than the new minimums required at that date.

A. Qualitative information

1. Common Equity Tier 1 capital - CET 1

Common Equity Tier 1 capital is composed of the following positive and negative items:

a. capital
b. share premiums
c. profit reserves and reserves under special revaluation laws

d. valuation reserves in the statement of comprehensive income (OCI)
e. loss for the year
f. portions of profit for the year allocated to reserves
g. any "treasury shares"
h. intangible assets and goodwill
i. deferred tax assets (DTA) to carry forward for tax losses

net of prudential filters and regulatory deductions.

2. Additional Tier 1 capital (AT1)

The AT1 category generally includes equity instruments other than common ordinary shares that meet the regulatory requirements for inclusion of Own funds in this tier of capital.

Additional Tier 1 capital includes the following "perpetual" convertible subordinated liabilities, issued by the Parent Bank at the time of the share capital increase completed in December 2015:

ISIN	Description	Interest rate	Date of issue	Expiry date	Early repayment from	Nominal amount in euro
IT0005136764	CrBz Perpetual convertible	5.50% (in the first five years) 4.674% (in the second five years)*	21.12.2015	perpetual	21.12.2020	45,200,000

*on 21 December 2020, the interest rate was recalculated as required by the Issuance Regulation for the next 5 years on the basis of the 5-year Eur mid-swap rate increased by the initial margin of 513 basis points.

3. Tier 2 capital (T2)

Tier 2 capital is composed of:

- the Lower Tier II subordinated liabilities issued by the Parent Company on 29 December 2017 for a nominal amount of Euro 5 million;
- the Lower Tier II subordinated liabilities issued by the Parent Company on 3 October 2022 for a nominal amount of Euro 37 million.

It should be noted that on 11 September 2023, the Parent Bank obtained authorisation from the Bank of Italy to repay in advance, by exercising a call option, two subordinated tier 2 bonds maturing on 21 December 2025 and 27 September 2028 for a total nominal value of Euro 20,363,770.

The following table summarises the main characteristics of the securities in issue:

ISIN	Nom. amount in euro	Carrying amount	Date of issue	Expiry date	Interest rate	Contribution to Own Funds
IT0005320129	5,000,000	5,000,972	29.12.2017	29.12.2024	Fixed rate at 5.75% for the entire duration of the loan	996,384
IT0005509960	37,000,000	37,570,058	03.10.2022	03.10.2032	Fixed rate at 6.50% until 03.10.2027; for the next 5 years, the 5-year Eur mid-swap rate increased by the initial margin of 399.3 bps.	37,000,000

*on 21 December 2020, the interest rate was recalculated as required by the Issuance Regulation for the next 5 years on the basis of the 5-year Euro mid-swap rate increased by the initial margin of 263 basis points.

It should be noted that Banca di Cividale in turn issued a lower tier II bond loan for a nominal amount of Euro 7.1 million, which was not included in the previous table since its contribution to consolidated own funds is considered equal to zero, i.e. it is designated in full as minority interests for prudential purposes.

B. Quantitative information

	31/12/2023	31/12/2022
A. Common Equity Tier 1 (CET1) capital before the application of prudential filters	1,051,354	982,350
of which CET1 instruments subject to transitional provisions		
B. Prudential filters of CET1 (+/-)	(557)	(555)
C. CET1 gross of the elements to be deducted and the effects of the transitional regime (A+/-B)	1,050,798	981,795
D. Elements to be deducted off CET1	(33,305)	(22,736)
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	7,649	28,079
F. Total Common Equity Tier 1 capital (TIER1-CET1) (C-D +/-E)	1,025,142	987,138
G. Additional Tier 1 capital (AT1) gross of the elements to be deducted and the effects of the transitional regime	51,271	52,674
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted off AT1		
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to transitional provisions		
L. Total Additional Tier 1 capital (AT1) (G-H+/-I)	51,271	52,674
M. Tier 2 capital (T2) gross of the elements to be deducted and the effects of the transitional regime	49,731	73,429
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted off T2		
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to transitional provisions		
P. Total Tier 2 capital (T2) (M - N +/- O)	49,731	73,429
Q. Total own funds (F + L + P)	1,126,144	1,113,241

2.2 Capital adequacy

A. Qualitative information

The Group reviews the aggregates of "Own funds" on a quarterly basis in order to verify their consistency with the assumed risk profile and the adequacy with respect to current and future development plans.

This monitoring is carried out both from a supervisory perspective and for the purposes of determining the free capital, which at the closing date of 31 December 2023 amounted to Euro 544.1 million.

B. Quantitative information

Categories/Values	Non-weighted amounts		Weighted amounts/requirements	
	31/12/2023	31/12/2022	31/12/2023	31/12/2022
A. RISK ASSETS				
A.1 Credit and counterparty risk	22,099,325	23,988,112	6,243,258	6,825,539
1. Standardised approach	21,244,809	22,313,948	6,118,090	6,789,670
2. Methodology based on internal ratings				
2.1 Basis				
2.2 Advanced				
3. Securitisations	836,022	1,609,395	124,650	34,563
4. Exposures to central counterparties in the form of pre-financed contributions to the guarantee fund	18,494	64,768	518	1,306
B. REGULATORY CAPITAL				
B.1 Credit and counterparty risk			489,447	543,174
B.2 Credit valuation adjustment risk			14,310	14,814
B.3 Settlement risk				
B.4 Market risks			3,437	7,069
1. Standard methodology			3,437	7,069
2. Internal models				
3. Concentration risk				
B.5 Operational risk			64,817	59,037
1. Basic method			64,817	59,037
2. Standardised approach				
3. Advanced method				
B.6 Other calculation elements			10,013	2,870
B.7 Total prudential requirements			582,024	626,963
C. RISK ASSETS AND REGULATORY COEFFICIENTS				
C.1 Risk-weighted assets			7,275,304	7,837,039
C.2 Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)			14.09%	12.60%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			14.80%	13.27%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			15.48%	14.20%

The table shows in detail the items that contribute to the quantification of "Risk-weighted assets" for the purposes of calculating "Solvency ratios" as regulated by the Basel III regulation introduced as from 1 January 2014.

In the context of the emergency related to COVID-19, but still relevant today, the Regulation (EU) 2020/873 ("Regulation 873"), approved by the European Parliament, on a proposal by the European Commission, is of specific relevance, with the aim of providing a direct intervention tool to support the real economy.

Specifically, the aforementioned measure, which came into force on 27 June 2020, amends:

- Regulation (EU) no. 575/2013 on the capital requirements of banks ("Regulation 575" or "CRR");
- Regulation (EU) no. 2019/876, which amends Regulation 575 substantially by introducing new regulations on prudential supervision for banks ("Regulation 876" or "CRR II").

The "support" adjustment factor of 0.7619 to be used to reduce the risk-weighted value of exposures to SMEs and the counterparty risk capital requirement Credit Value Adjustment (CVA) have been updated, maintaining the value of 0.7619 for exposures up to EUR 2.5 million and increasing it to 0.85 for exposures above EUR 2.5 million.

Part G
Business combinations

Part G - Business combinations

Section 1 - Transactions carried out during the year

1.1 Business combinations

Sparim, the real estate company of the Sparkasse Group, acquired on 03 July 2023, the company Sparkasse Energy (this is how the SPV that had the original name of Albae srl was renamed), through which it will develop and put into production two solar parks located in the province of Verona and in the province of Mantua.

More precisely, Sparim has acquired for Euro 1.8 million a 100% shareholding in a company called Sparkasse Energy which has already obtained the administrative authorisations for the construction and management of two photovoltaic farms for a total power of about 8 megawatts, amounting to almost double the annual electricity consumption of the Group's business properties, i.e. 3 headquarters and 170 branches. The first plant will be able to enter into operation at the beginning of 2024, while the second by the end of the same year.

Subsequent to the acquisition of the shareholding, the land, covering a total area of approximately 12 hectares and intended for production/industrial use, where the two solar farms will be developed and where works have already begun, was purchased. In agreement with Enel, a major infrastructure work will also be carried out that will improve the electrification of the area in which the company will operate. Through this operation, in addition to achieving the environmental objectives that the Sparkasse Group has set out for itself, the cost of the energy that Sparkasse consumes will be stabilised in the medium to long term, with a positive impact on the Group's income statement.

Pursuant to the requirements stated in paragraph B.64 of IFRS 3, please note that:

- the special purpose vehicle, after the initial purchase which saw a disbursement by Sparim of Euro 1,824 thousand, was capitalised through a capital increase for an amount of Euro 2,800 thousand and received a shareholder loan for Euro 3,050 thousand, with the aim of developing the operation and building the photovoltaic farms. The construction and management of the two photovoltaic farms was entrusted to the Company's current Es.CO (i.e. Uno Energy Innovative Solutions) with which, starting in 2018, the energy efficiency project of the instrumental buildings was managed, leading to a reduction of atmospheric emissions and energy consumption by approximately 25%. In this sense, the total investment would amount, based on current market conditions for photovoltaic modules and materials (i.e. silicon and copper) to approximately Euro 11 million (plus taxes and duties) net of the aforementioned purchase cost of the corporate vehicle. For both projects, e-distribution estimates were acquired (accepted) for connection to the national electricity grid, while the municipal authorisation process (i.e. PAS) is being finalised.
- A valuation of the transaction was conducted by the Company's Independent Valuer, who has determined the fair value of the land, based on the subsequent photovoltaic development, at Euro 3,180 thousand for Gazzo Veronese, against a purchase value of euro 1,526 thousand including registration tax of 9%, since the current owners are natural persons, and Euro 1,290 thousand for Villa Poma against a purchase value of Euro 621 thousand including registration tax of 9%, since the current owners are natural persons.
- As required by paragraph B.64 point q) ii, the combined entity's revenue and profit for the current period, assuming that the acquisition date coincides with the beginning of the financial year, are not significant.

Following the purchase price allocation, at the time of initial consolidation, and the valuation at fair value, compared to book values, of the assets (land) recognised in the balance sheet, a goodwill component of Euro

214 thousand was recognised in Intangible Assets when comparing the purchase price of the investment with its net asset value.

Section 2 - Transactions carried out after the end of the year

2.1 Business combinations

No business combinations were carried out after the end of the year.

Section 3 - Retrospective adjustments

3.1 Business combinations

With reference to the provisions of IFRS 3 par. 61, 62 and 63, it should be noted that there were no changes in the values recorded in the previous year.

Part H
Related party transactions

Part H - Related party transactions

1. Information on the remuneration of key management personnel

The total remuneration paid during the year to the Directors, the members of the Boards of Statutory Auditors of the Group companies and the members of the Settlement Committee of the company Raetia sgr spa in liquidation amounted to Euro 2,285 thousand (the amount includes the fees paid by way of attendance fees); those paid to executives of the same companies totalled Euro 8,422 thousand, of which Euro 6,750 thousand to key management personnel.

In accordance with the provisions of IAS 24 §17, the following information is provided on the remuneration of key management personnel, in total and broken down into each of the following categories:

Categories	Amount in thousands of euro
Short-term employee benefits	8,260
Post-employment benefits	182
Other long-term benefits	
Benefits due to employees for termination of employment	
Share-based payments	
Total	8,442

2. Information on related party transactions

Related parties were identified as defined by IAS 24.

According to this standard, the "related party" is a person or an entity that is related to the reporting entity according to the following definitions:

a. a person or a 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 on the reporting entity;
   iii. is one of the key management personnel of the reporting entity or of 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 Bank, subsidiary and group company is related to the others);
   ii. an entity is an associate or a joint venture of the other entity (or an associate or a joint venture that is part of a group of which the other entity is part);
   iii. both entities are joint ventures of the same third party;
   iv. an entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v. the entity is represented by a plan for post-employment benefits in favour of the employees of the reporting entity or of an entity related to it; If the reporting entity is itself such a plan, the sponsoring employers 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 on the entity or is one of the key management personnel of the entity (or of one of its parent companies).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a consideration has been agreed.

Given the above:

- among the key management personnel as per point a) iii. includes members of the Management Bodies, Boards of Statutory Auditors and Top Management of the companies included in the scope of consolidation, and of the parent bank, their close relatives and companies controlled or jointly controlled by them;
- among the parties belonging to the Group, according to the definition in point b) i., the Cassa di Risparmio di Bolzano Foundation is included in its capacity as parent related party, while transactions with subsidiaries are excluded, as they are subject to intra-group elision.

Related party transactions are governed by market conditions.

The table below summarizes the total credit, debit and guarantees/commitments entered into at the reporting date with the above-mentioned related parties.

(in thousands of Euro)

Related parties	Assets	Liabilities	Guarantees/Commitments
Parent Bank	-	15,674	-
Subsidiaries, associates	9,773	4,500	6,411
Other related parties	31,956	55,470	20,141
Total	41,729	75,644	26,552

During the year, specific allocations were made for losses on receivables from "Associated companies" for Euro 2.9 million.

Please note that the amounts of liabilities shown in this table include payables for leases, in accordance with IFRS 16, to the extent of Euro 2,687 thousand due to the parent Fondazione Cassa di Risparmio and Euro 1,536 thousand due to the associate Autosystem società di servizi S.p.A. and Euro 168 thousand toward the associate Acirent.

Part L
Segment reporting

Part L - Segment reporting

To represent the "Segment reporting", as required by international accounting standard IFRS 8, the Group has identified and uses the "business segment".

The segmentation model of economic and financial data is comprised of six business segments:

- the Business Unit – Retail;
- the Business Unit - Corporate Banking;
- the Business Unit - Private Banking;
- the Business Unit - Finance/Treasury;
- the Business Unit - Real Estate;
- the Business Unit – General Management/Other.

The "Business Unit – General Management/Other" refers to the central structure and to the lending and funding activities managed by this structure.

As from 30 June 2022, following the merger of CiviBank into the Sparkasse Group, two business units dedicated were added to the subsidiary's operations, with the leasing component shown separately.

A.1 Breakdown by business segment: economic data

Economic data (in millions of euro)	BU Retail	BU Corporate Banking	BU Private Banking	BU Treasury	BU Real Estate	BU Gen. Man. Other	BU CiviBank	BU CiviBank Leasing	intra-group elision and adjustm.	Total
Net interest income	165.8	48.3	13.9	(96.7)	0.3	66.5	93.3	9.0	1.3	301.5
Net fee and commission income	65.9	15.0	13.3	(0.0)	0.0	1.2	35.3	0.7	0.0	131.3
Financial margin	0.0	0.0	0.0	4.6	(3.0)	(1.7)	(0.3)	0.0	(0.9)	(1.3)
Net interest and other banking income	231.7	63.3	27.2	(92.1)	(2.7)	65.9	128.3	9.6	0.4	431.5
Net value adjustments to loans and financial transactions	(10.4)	(6.1)	(0.0)	(0.6)	0.2	(4.4)	(27.2)	(0.2)	0.0	(48.9)
Gain/losses on modification without derecognition	0.0	0.0	0.0	0.0	0.0	1.1	(0.2)	0.0	0.0	0.9
Net income from financial management	221.3	57.2	27.2	(92.7)	(2.6)	62.5	101.0	9.4	0.4	383.5
Administrative expenses	(94.7)	(10.2)	(7.0)	(2.9)	(7.4)	(71.1)	(76.2)	(1.1)	7.5	(263.0)
Net allocations to provisions for risks and charges	0.0	0.0	0.0	0.0	2.2	(1.5)	(2.0)	0.0	(0.1)	(1.4)
Net value adjustments to property, plant and equipment and intangible assets	(5.3)	(0.6)	(0.2)	(0.1)	(0.2)	(18.7)	(4.8)	0.0	4.6	(25.3)
Other operating income/expenses	0.6	0.0	0.0	5.8	14.3	11.6	4.4	(0.2)	(16.0)	20.5
Operating costs	(99.4)	(10.8)	(7.2)	2.8	8.9	(79.7)	(78.6)	(1.3)	(4.0)	(269.2)
Gains/(losses) on equity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1
Adjustment of goodwill and gains/losses on disposals	0.0	0.0	0.0	0.0	4.7	(0.5)	(0.8)	0.0	(4.4)	(0.9)
Capital gain on property, plant and equipment at fair value	0.0	0.0	0.0	0.0	6.9	0.0	0.0	0.0	(0.3)	6.6
Profit from current operations before tax	121.9	46.4	20.0	(89.9)	18.0	(17.7)	21.6	8.1	(7.1)	121.2

A.2 Breakdown by business segment: balance sheet data

Balance sheet data (in millions of euro)	BU Commercial Banking	BU Corporate Banking	BU Private Banking	BU Treasury	BU Real Estate	BU Gen. Man. Other	intra-group elision and adjustm.	BU CiviBank	BU CiviBank Leasing	Total
Loans to customer	4,221	2,410	41	0	3	147	0	2,710	308	9,840
Loans to banks	0	0	0	818	40	349	(611)	247	0	843
Customer deposits, outstanding securities, financial liabilities	5,002	1,173	743	456	0	1,585	(143)	3,231	0	12,045
Bank funding	0	0	0	2,243	0	443	(573)	1,343	0	3,456
Financial assets	0	0	0	3,920	0	41	(79)	1,327	0	5,210
Fixed assets	0	0	0	90	305	0	(25)	71	0	442
Equity investments	0	0	0	0	5	394	(391)	2	0	10
Total	9,222	3,582	784	7,527	352	2,960	(1,822)	8,932	308	31,846

Part M Information on leases

Part M - Information on leases

SECTION 1 - LESSEE

Qualitative information

IFRS 16 "Lease", applicable from 1 January 2019, replaces the previous IAS 17 and the related interpretations impacting the definition of lease and overcoming, for the lessee, the accounting dualism between finance leases and operating leases. With reference to the accounting model to be applied by the lessee, the new standard provides that, for all types of lease, an asset representing the right of use ("right of use") of the leased asset must be recognised, and, at the same time, the payable relating to the lease payments. There was also a change in the method of recognising the income statement items: while under IAS 17 lease payments were posted to the item "Administrative expenses", under IFRS 16 the charges relating to the depreciation of the "right of use" and interest expense on the debt are recognised.

On the other hand, there are no substantial changes, apart from some major requirements for disclosure, in the accounting of leases by lessors, where the distinction between operating leases and finance leases is maintained. It should also be noted that based on the requirements of IFRS 16 and the clarifications of IFRIC ("Cloud Computing Arrangements" document of September 2018), software is excluded from the scope of application of IFRS 16; these are therefore accounted for in accordance with IAS 38 and the related requirements. Starting from 1 January 2019, the effects on the financial statements resulting from the application of IFRS 16 are identifiable for the lessee, with the same final profitability and cash flows, in an increase in assets recorded in the financial statements (leased assets), an increase in liabilities (the payable for leased assets), a reduction in administrative expenses (lease payments) and a simultaneous increase in financial costs (the remuneration of the recognised payable) and depreciation (relating to the right of use). With reference to the income statement, considering the entire duration of the contracts, the economic impact does not change in the time horizon of the lease both by applying the previous IAS 17 and by applying the new IFRS 16, but shows a different time breakdown.

Quantitative information

For the amounts at 31 December 2023, please refer to the individual tables of Assets, Liabilities and Income Statement of these Notes, where the impacts of the rights of use acquired through the lease and the related financial payables, and, in the income statement, the impacts on the interest expense and depreciation are visible for each item.

SECTION 2 - LESSOR

2. Financial leases

2.1 Classification by time brackets of payments to be received and reconciliation with lease loans recognised under assets

Time brackets	Total 31/12/2023 Payments to be received for leases	Total 31/12/2022 Payments to be received for leases
Up to 1 year	57,050	52,208
Over 1 year up to 2 years	53,485	44,849
Over 2 years up to 3 years	49,361	42,576
Over 3 years up to 4 years	43,369	36,825
Over 4 years up to 5 years	34,059	28,332
Over 5 years	105,412	78,667
Total payments to be received for leases	342,736	283,457
RECONCILIATION WITH LOANS	(41,314)	(270)
Non-accrued financial gains (-)	(41,314)	(39,190)
Non-guaranteed residual value (-)	-	38,920
Lease financing	301,422	283,187

3. Operating lease

3.1 Classification by time brackets of payments to be received

Time brackets	Total 31/12/2023 Payments to be received for leases	Total 31/12/2022 Payments to be received for leases
Up to 1 year	4,548	2,653
Over 1 year up to 2 years	4,319	2,461
Over 2 years up to 3 years	3,880	2,271
Over 3 years up to 4 years	3,662	1,830
Over 4 years up to 5 years	2,798	1,592
Over 5 years	6,180	3,318
Total	25,386	14,125

This table provides quantitative information on the undiscounted amount of payments to be received for leases, broken down by time brackets.

Annexes to the Notes to the Consolidated Financial Statements

Annexes to the Notes to the Consolidated Financial Statements

Annex 1

STATEMENT OF FEES FOR THE YEAR PAID BY THE GROUP FOR THE SERVICES PROVIDED BY THE INDEPENDENT AUDITORS OR BY THE ENTITIES OF THE COMPANY'S NETWORK

(Article 38, paragraph 1, letter o-septies) of Italian Legislative Decree 127/91 and Article 149-duodecies of the implementing Consob Regulation)

Figures in thousands of Euro

	31/12/2023
Audit services	495
Other certifications	96
Other services	41
Total	632

The considerations are expressed net of VAT and ancillary expenses.

Annex 2

DISCLOSURE PURSUANT TO LAW 124 OF 4 AUGUST 2017

Paragraph 125 of Law 124 of 4 August 2017 introduced, starting from the 2018 financial year, the obligation for companies that receive grants, contributions, paid assignments and in any case economic benefits of any kind from public administrations and the entities referred to in the first sentence of the same paragraph, to publish these amounts in the notes to the financial statements and in the notes to any consolidated financial statements.

Paragraph 126 of Law 124/2017 of 4 August 2017 extended the publication obligations pursuant to Article 26 of Legislative Decree no. 3334 of 14 March 2013, also to entities and companies controlled de jure or de facto, directly or indirectly, by the State administrations, through publication in their annual accounting documents, in the notes to the financial statements. Failure to comply with this obligation entails a penalty equal to the amounts paid.

In order to avoid the accumulation of irrelevant information, the obligation of publication pursuant to paragraphs 125 and 126 does not apply if the amount of grants, contributions, paid assignments and in any case the economic benefits of any kind received by the subject beneficiary is less than Euro 10,000 in the period in question.

It should be noted that the Parent Bank Cassa di Risparmio di Bolzano performs, mainly on behalf of the Autonomous Province of Bolzano and other local public bodies, paid services subject to invoicing and accounting reporting that are not considered to be under the obligation of publication set forth in the Law 124/2017 and therefore are not included in the summary table below.

Name of the recipient	Tax Code of the recipient	Name of the provider	Amount collected (in thousands of Euro)	Collection date	Reason
Cassa di Risparmio di Bolzano S.p.A.	00152980215	Insurance Banks Fund	200	05.06.2023	Training Plan FBA 01/20 Prot. 0120A092000013 entitled "Sviluppare processi capaci di innovare e sostenere lo sviluppo del territorio" [Developing processes capable of innovating and supporting territorial growth]
Cassa di Risparmio di Bolzano S.p.A.	00152980215	Insurance Banks Fund	200	24.10.2023	Training Plan FBA 01/21 Prot. 0121A052100012 entitled "Valorizzazione delle persone, innovazione e sostenibilità" [Valuing people, innovation and sustainability]
Cassa di Risparmio di Bolzano S.p.A.	00152980215	Insurance Banks Fund	180	15.11.2023	Training Plan FBA 01/22 Prot. 0122A052200015 entitled "Imparare dall'esperienza e investirla nel futuro" [Learning from experience and investing it in the future]

The Group was also the subject of State aid and de-minimis aid by Public Administrations, contained in the National Register of State Aids, to which Register reference is made for details.

Independent Auditors' Report on the Consolidated Financial Statements

Independent Auditors' Report on the Consolidated Financial Statements

Deloitte.

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Cassa di Risparmio di Bolzano S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cassa di Risparmio di Bolzano S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2023, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Cassa di Risparmio di Bolzano S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

Deloitte.

Classification and valuation of loans to customers for financing measured at amortized cost	
Description of the key audit matter	As highlighted in Board of Directors' Report on Group Operations - "The group's position" and in the notes to the consolidated financial statement Part B – Information on the Consolidated balance sheet as at December 31, 2023, the loans to customers for financing measured at amortized cost having a gross carrying amount of 9,914.8 million Euro (of which 379.8 million Euro of non-performing loans), reduced by adjustment provisions of Euro 245.5 million (of which 173,3 million Euro of non-performing loans) resulting in an net amount of Euro 9,669.3 million (of which 186,5 million Euro of non-performing loans). The Board of Directors' Report on Group Operations shows that the coverage ratio of the aforementioned loans to customers for financing measured at amortized cost as of December 31, 2023 is equal 2.5%. More specifically, in accordance with the allocation required by IFRS 9 "Financial Instruments", the coverage ratio of performing exposures, classified in the "First Stage" and "Second Stage", is equal to 0.55%, while the coverage ratio of non-performing exposures, classified in the "Third Stage", is 50.9%. The Notes to the Consolidated Financial Statement "Part A – Accounting Policies" and "Part E – Information on risks and related coverage policies" described: • the processes and the classification of credit exposures adopted by the Group in compliance with the current provisions of the Supervisory Authorities and in accordance with the applicable accounting standards; • the measurement criteria of loans to customers for financing measured at amortized cost as well as the estimate methods of expected losses and for determining the consequent loss provisions based on the allocation of credit exposure among three reference stages. As part of the management policies for loans to customers, the Group has adopted rules and processes for monitoring positions which have involved, among other things, an articulated activity of classification of the same into homogeneous risk categories; this activity is also aimed at identifying positions which, after disbursement, show evidence of possible impairment. In addition, the Group has used processes and methods of valutation characterized by elements of subjectivity and processes of estimating certain variables, such as, mainly, the expected cash flows, the expected recovery times and the presumed realizable value of the guarantees. The classification and valuation processes, in the year ended 31 December 2023, were still particularly complex in consideration of the current macroeconomic scenario.

In consideration of the significance of the amount of loans to customers for financing measured at amortized cost recorded in the financial statements, the complexity of the processes of classification, the monitoring of credit quality and the estimation of expected losses adopted by the Group, also to take account of the current macroeconomic scenarios, and the relevance of the subjectivity components inherent in these processes, we consider the classification and valuation of loans to customers for financing measured at amortized cost a key audit matter of the consolidated financial statement of the Group as at December 31, 2023.

Audit procedures performed	The main procedures performed, also supported by specialists of the Deloitte network, were as follow: • analysis of the lending process with particular reference to the recognition and understanding of the organisational and procedural provisions set up by the Group to ensure the monitoring of credit quality and the correct classification and valuation in accordance with applicable accounting standards and sector legislation; • check the implementation of business procedures and processes, and checking the operating effectiveness of the key controls relating to the classification and valuation processes of loans to customers for financing measured at amortized cost; • check, on a sample basis, the classification and measurement of non-performing loans to customers for financing measured at amortized cost in accordance with regulatory framework and the Group's internal policies; • check, on a sample basis, the classification of performing loans to customers for financing measured at amortized cost in accordance with regulatory framework and the Group's internal policies; • analysis and understanding of the main valuation models adopted by the Group for the determination of the loan loss provisions, and the analysis of the adjustments necessary in order to reflect the uncertainties deriving from the current market context, as well as check of the reasonableness of the parameters subject to estimation; • analytical procedures and trend analysis, as well as comparison with sector data, of loans to customers for financing measured at amortized cost and of related loan loss provisions; • check the completeness and compliance of the disclosures provided in the consolidated financial statements in accordance with the applicable accounting standards and the regulatory framework.

Responsibilities of the Directors and the 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 and the requirements of national regulations issued pursuant to art. 43 of Italian Legislative Decree no. 136/15, and, within the terms established 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.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the parent company Cassa di Risparmio di Bolzano S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain 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 conducted 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 an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management'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 Group's ability to continue as a going concern. If we conclude that 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, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate 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 a manner that achieves fair presentation;

- obtain 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.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The shareholders' meeting of Cassa di Risparmio di Bolzano S.p.A. has appointed us on April 10, 2018 as auditors of the Bank for the years from December 31, 2019 to December 31, 2027.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the 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, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10

The Directors of Cassa di Risparmio di Bolzano S.p.A. are responsible for the preparation of the report on Group operations of Cassa di Risparmio di Bolzano Group as at December 31, 2023, including its consistency with the related consolidated financial statements and its compliance with the law.
We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations, with the consolidated financial statements of Cassa di Risparmio di Bolzano Group as at December 31, 2023 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of Cassa di Risparmio di Bolzano Group as at December 31, 2023 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during 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 Cassa di Risparmio di Bolzano 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 attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Gazzaniga
Partner

Milan, Italy
March 19, 2024

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.