carifermo
cassa di risparmio di fermo s.p.a.

FINANCIAL STATEMENTS AT 31/12/2023

The present document is the English translation of the Italian Financial Statements, prepared for and used in Italy, and have been translated only for the convenience of international readers. Financial Statements were prepared using International Reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cash flows according to accounting principles and practices other than IAS/IFRS

- CONTENTS -

BOARD OF DIRECTORS
Meeting of 26 March 2024

Directors' report and financial statements at 31/12/2023

Dear shareholders,

Financial year 2023 saw very positive results in terms of profit and capitalisation for the entire banking sector, which benefited from the effects of the highly restrictive monetary policy continued by the European Central Bank in an effort to combat the inflationary spiral. Credit quality continued to improve, even if the medium/long-term effects of COVID-19 and international geopolitical tensions caused greater uncertainty about future NPL trends. Based on Bank of Italy estimates for the first nine months of 2023, the main budget indicators give a positive view of the Italian banking system. Capital has risen to 15.8% of risk assets, in line with other European banks. The ratio of impaired to total loans fell to 1.4%, completing the recovery process which began almost a decade ago. Liquidity ratios are well above regulatory requirements. Profits have also improved. The return on capital is close to 13%, a number not seen since the financial crisis. A portion of these improvements is a reflection of the gains in efficiency achieved in costs and credit risk management as well as the positive effects of regulatory reforms and strong supervisory activities. They also reflect exceptional factors, given that banks have benefited from macroeconomic policies undertaken to combat the crisis and the unusual market conditions of the last two years, characterised by high liquidity and rapidly rising interest rates.

The increase in market rates was promptly reflected in interest income from short-term and variable-rate loans. At the same time, the excellent liquidity and low demand for credit limited increases in the cost of on-demand funding. Improved credit quality also mirrors the strong profit and financial conditions of companies, in part thanks to the strong return to production after the end of the pandemic, as well as the high amounts of liquidity accumulated, as companies were able to access government-backed loans.

Looking forward, it would not be prudent to rely on unrealistic hypotheses that such a positive situation will occur again. 2024 will be a key year for the banking sector, which, after two years of genuinely excellent results, must identify new opportunities for development in a highly uncertain environment.

In this context, financial year 2023 ended with profit of € 22.4 million and with equity, income and efficiency indicators all positive and significantly growing compared to previous years, confirming our Bank's long held tradition of combining the ability to understand and anticipate new challenges associated with innovation with the commitment to promoting sustainable development, a fundamental goal for a local Bank which responsibly interacts with various stakeholders, working to understand their real needs and offering rapid responses to the same.

Responsibility to People is at the heart of the Bank and a strategic factor in generating value.

Responsibility to the environment, promoting corporate management that pays attention to local problems with growing awareness of resource efficiency, adopting more effective solutions to reduce direct and indirect environmental impacts.

Responsibility to Clients, with whom we want to build a relationship based on dialogue, listening and transparency, to meet their needs to dedicated products and services.

THE INTERNATIONAL AND EUROZONE ECONOMIC SITUATIONS

In 2023, the global economic cycle saw varying trends. In the United States, after two quarters of growth at around 0.5%, GDP rose sharply in the third quarter of 2023, increasing by 1.3% compared to the previous quarter. On the other hand, in the United Kingdom, GDP slowed, with growth unchanged in the third quarter, continually dropping from the 0.3% in the first quarter. After strong growth in the first and second quarters, economic activity in Japan also declined in the third quarter, falling 0.5%. At the end of 2023, global economic activity weakened further and manufacturing remained stagnate, while the trend in services seemed to lose steam. In the United States, after the strong expansion in consumption posted in the third quarter, there are signs of a slowdown. In China, the ongoing real estate crisis is slowing growth, which remains well below pre-pandemic levels. International trade performed modestly, impacted by weak demand for goods and the restrictive monetary policies at the global level. After notable volatility at the beginning of October, prices for crude and natural gas fell and have remained low despite the attacks on ships in the Red Sea. In the autumn, core inflation fell in the United States and the United Kingdom, where their respective central banks kept interest rates unchanged.
The effects of restrictive monetary policies and worsening consumer and business confidence continue to weigh upon the international economic situation. The extension of the conflict in the Mid-East to the greater region constitutes a significant risk for growth and inflation. Based on OECD estimates published in November, global growth in 2024 is likely to slow to 2.7% from the 2.9% of 2023.

With reference to the Eurozone, stagnation continued throughout 2023. The disinflation process impacted all the main components of the basket. During the summer, GDP in the Eurozone fell by 0.1% compared to the previous quarter. Increased household consumption was counteracted by stagnant long-term investments and a negative contribution from changes in inventories. Net foreign demand did not contribute anything to this trend, given that imports and exports fell. On the supply side, added value decreased in industry, in the strict sense and, to a much lesser degree, in construction. Estimates of GDP growth have been again revised downwards. Based on Eurosystem expert projections published in December, Eurozone GDP will rise to 0.8% in 2024 (from the 0.6% predicted for 2023) and 1.5% in 2025-2026. In December, the change in consumer prices over 12 months reached 2.9%, due to a smaller drop in the core trend for energy goods prices. The core component fell, reaching 3.4%, and disinflation will continue throughout 2024. Based on projections issued by Eurosystem experts in December, the consumer price trend in the Eurozone will fall to 2.7% in 2024, reaching 2% in the third quarter of 2025. Core inflation should fall more slowly than the overall index, in line with historic results, reaching 2.1% in 2026.

At its meetings in October and December, the Governing Council of the European Central Bank did not change the official interest rates, believing the current level, if maintained long enough, will provide a substantial contribution to returning inflation to the medium-term objective of 2%. The value of the portfolio held by the Eurosystem relative to the Asset Purchase Programme (APP) continued to fall (€ 3,026 billion at the end of December). With reference to the Pandemic Emergency Purchase Programme (PEPP), at its December meeting, the Governing Council indicated that it will continue to fully reinvest capital repaid on maturing securities during the first part of 2024. In the second half of the year, however, it intends to reduce the PEPP portfolio by € 7.5 billion per month, on average, ending reinvestments at the end of 2024. The total amount of financing provided through the third series of Targeted Longer-Term Refinancing Operations (TLTRO3) and still held by the banking system is € 392 billion, with 137 for Italy.

ITALY

In 2023 Italian GDP rose by 0.7% with respect to 2022, totalling +3.7%. After high volatility in the initial part of the year, in the third quarter, GDP expanded slightly and household consumption increased, in part supported by job creation, surpassing the pre-pandemic level by around one percentage point. Long-term investment spending continued to decrease, on the other hand, although moderately, suffering from the higher cost of lending. The partial increase in construction investments was counteracted by the further drop in investments in plant and machinery.

In the fourth quarter, industrial production fell by around 0.9% compared to the previous quarter, reflecting the continued weakness of consumer goods production (above all consumables) and intermediate goods production, which was, in part, counterbalanced by stability in instrumental goods. Investments were stable in the third quarter, after the decline in the second, and spending on instrumental goods fell despite net growth in purchases of vehicles, and a return to growth in construction investments. Bank of Italy surveys indicate that businesses continue to view investment conditions as negative, in part due to the cost of credit. The slowdown in gross long-term business investments led to a further decrease in the use of internal funding. In fact, available liquidity has increased significantly, in particular in terms of demand deposits. During the same period, the use of external financing (represented by overall debt) also fell slightly in nominal terms and as a percentage of GDP, and business debt relative to GDP continued to be well below the average for the Eurozone.

After the decline in the first half of the year, in the third quarter, export volumes returned to growth (0.6%), supported by the recovery in the goods component, which more than offset the reduction in services. Mechanical and pharmaceutical products were the main contributors to the increase, with refined oil and chemical products making a smaller contribution. Despite the decline in global commerce, sales of goods to markets outside of the Eurozone increased significantly.

The increase in employment continued during the third quarter, although to a lesser extent than in the first half of the year. The unemployment rate remained stable, reflecting an increase in activity, which reached a new high. Salary growth increased and will continue to strengthen during 2024.

Household spending increased by 0.7% during the third quarter, after stagnating in the second, reflecting favourable trends in employment and available income in real terms (1.3% compared to the previous period). The expansion in the consumption of services and durable goods, supported in particular by the recovery in vehicle purchases, was counteracted by the decrease in spending for non-durable and semi-durable goods.

The propensity for savings rose, while still remaining more than a percentage point below pre-pandemic levels. During the third quarter, total spending continued to rise due to interest on household debt following the increase in the cost of credit. Debt for Italian households compared to available income fell further compared to the second quarter to 59.3% (89% in the Eurozone). This decrease was mainly caused by the increase in available income, against a smaller drop in debt in nominal terms, in particular the medium/long-term bank loan component.

In December, consumption-harmonised inflation fell to 0.5% y/y, the lowest it has been since January 2021. The downwards trend in energy goods prices worsened, in part due to the exceptionally high prices at the end of 2022 and the recent drop in fuel and electricity and gas bill prices. The core component fell to 3%, from its peak in February 2023. In the forecast prepared by the Bank of Italy, inflation should decline significantly in Italy in 2024.

MARCHE REGION

The weakening of the cyclical phase in the final months of 2022 continued during at the beginning of 2023. Based on the quarterly regional economy indicator (ITER) prepared by the Bank of Italy, on average, regional GDP in the first half of 2023 saw a 1% growth compared to the corresponding period of 2022, less than the national figure (1.2%). Worsening geopolitical tensions due to the conflicts in the Mid-East led to a sharp increase in uncertainty, with repercussions on the regional situation.

Industrial activity slowed, and investments saw negative impacts from the continued climate of uncertainty and the rise in the cost of debt. Excluding the pharmaceutical sector, exports were stagnant. The construction sector slowed and business related to residential renovation lost momentum, while public works and post-earthquake reconstruction remained stable. The tertiary sector suffered from weakened household spending while, for tourism, arrivals overall were slightly lower than in 2022. Liquidity for businesses fell during the year, however still remaining at historically high levels.

After returning to pre-pandemic levels, the expansion in employment stalled, and, on average, the number of employed people fell during the first half, compared to an increase in Italy as a whole. The decline was concentrated within the freelance sector, while the employee sector grew in line with the rest of the country. In the private non-agricultural sector, the balance between incoming and outgoing employees rose slightly, benefiting from positive trends in the permanent employee segment. Employment remained essentially stable.

The trend in consumption weakened notably, suffering from lower household purchasing power due to inflation and low confidence, despite an improvement at the beginning of the year, not yet able to recover the level seen prior to Russia's invasion of Ukraine.

Bank loans to customers residing in the Marche region, which saw growth halt at the end of 2022, decreased notably in the first half of 2023. The decline in bank loans to the production sector continued, and the drop in loans to small businesses worsened. The demand for business loans weakened further due to higher interest rates and a lower need for investment financing. Bank criteria for granting loans has become progressively stricter.

With reference to household loans, new mortgages fell notably, reflecting the downwards trend in housing sales, as well as the further rise in interest rates, which has lowered demand. On the other hand, consumer loans granted to households by banks and financial companies continued to grow, although the pace slowed slightly.

Credit quality for customers residing in the Marche region did not show signs of worsening. The impairment rate for household loans remained in line with 2022 levels. For businesses, there was only a marginal increase, remaining contained, historically speaking.

After the progressive slowdown the previous year, bank deposits from households and businesses decreased due to the net reduction in the current account component, while savings deposits grew. The market value of managed assets held by banks increased significantly, driven by the public and private bond component, associated with the restructuring of household and business portfolios to focus on more remunerative assets.

FINANCIAL MARKET TRENDS

Starting in November 2023, adjusted expectations for additional increases in official rates in advanced economies led to a significant improvement in financial market conditions. Returns on government securities fell, and stock prices rose. Implicit volatility has declined significantly, especially on the stock markets. The dollar has depreciated with respect to the Euro. Returns on long-term government securities have fallen in the main advanced economies. The United States Treasury's announcement of a relatively limited number of long-term security issues was the first contributor, followed by the publication of information indicating a higher-than-expected decline in inflationary pressures in the US. This corresponded to a downwards adjustment in market expectations on official Federal Reserve interest rates (also following the publication of the relative projections by members of the Federal Open Market Committee and those of the ECB). Despite the deterioration of global economic prospects, trends in stock prices in the main advanced countries have benefited from the lower returns.

Conditions on Italian financial markets have also become notably looser since November, supported by the improvement in investor confidence, in large part thanks to expectations of less restrictive monetary policies from the main central banks. The return differential between Italian 10-year government securities and the corresponding German securities fell significantly. The return on Italian 10-year government securities declined sharply in the first ten days of January with respect to the corresponding period in October, settling at 3.7%, a drop of around 120 basis points. The decline in risk-free interest rates in the main advanced economies was the main

contributor, caused by expectations of less restrictive monetary policies in 2024 and lower uncertainty on the government securities market.
Returns on bonds issued by Italian non-financial companies and in the Eurozone fell by around 90 basis points compared to the first ten days of October, while bank bonds dropped 115 basis points in Italy and 90 in the Eurozone, reaching the lowest level since the summer of 2022.

Stock prices in Italy and the Eurozone have risen since October by 10.7% and 7.4%, respectively, and volatility has been modest. Satisfactory performance on the stock market has been supported by a higher risk appetite from investors associated with the expectations of less restrictive monetary policies in the main economies. Expectations of a reduction in official interest rates during 2024 weighted down, above all, evaluations on Italian credit institutions, for which net interest income plays a major role in profitability.

At its initial meetings in 2024, the European Central Bank's Governing Council again decided to keep the three reference interest rates for monetary policy unchanged. Therefore, interest rates on the main and marginal refinancing transactions and deposits with the central bank stayed at 4.50%, 4.75% and 4.00%, respectively. The ECB's Governing Council confirmed that, outside of a upwards effect on overall core inflation linked to energy, the downwards trend in core inflation would continue, and the past rises in interest rates would continue to be actively reflected in lending terms. Future decisions by the Governing Council will ensure that the reference rates are sufficiently restrictive for as long as is necessary.

THE ITALIAN BANKING SYSTEM

In 2023, profitability increased compared to 2022 for major and less-significant banks, although to a lesser extent for the latter. The notable increase in annualised return on capital and reserves (return on equity, ROE), net of non-recurring components, mainly reflected growth in net interest income, which more than offset the drop in other revenues. For major banking groups, operating costs fell slightly and impairment losses were decidedly down. On the other hand, for less-significant banks, costs rose and impairment losses were essentially stable. Capitalisation for both bank categories rose, with the improvement, above all, attributable to the positive contribution coming from profit and, to a lesser extent, the reduction in risk-weighted assets.

The trend in loans to businesses and households saw significant weakness in loan demand as well as rigidity in supply criteria, in line with the restrictive monetary policies in effect. The cost of credit disbursed to both sectors rose throughout 2023, and the effect of higher official rates was reflected more intensely than in the past in the cost of loans to companies. Monetary restrictions also led to a decrease in deposits due to reallocation of demand deposits towards more remunerative financial instruments and the drop in refinancing through the Eurosystem.

In December 2023, funding from customers for banks, represented by deposits from resident clients and bonds, came to € 2,028 billion, down by 1.5% with respect to the previous year. More specifically, deposits from resident customers during the same month totalled 1,779 billion and fell by 3.8%. Medium/long-term funding, through bonds, rose by 19.1% over the previous year, and the amount of bonds came to € 249 billion. The trend in customer deposits dropped for current accounts (-9.4%), which more than offset the expansion in other deposits (13.5%), supported by the quicker adjustment in relative returns to changes in the reference interest rates.

The average rate for customer deposits (which includes returns on deposits, bonds and repurchase agreements in euro applied to the household and non-financial companies sector) was 1.16% in December 2023. With reference to new transactions, the average rate for customer deposits (including returns on deposits in current accounts, term deposits, deposits reimbursable with advanced notice, bonds and repurchase agreements applied to the household and non-financial companies sector) was 3.65% in December 2023 (0.61% in June 2022, the last month before official interest rates began to rise). In particular, the rate on term deposits in euro applied to households and non-financial companies was 3.91% (0.29% in June 2022, an increase of 362 basis points).

Total bank loans to households and businesses at December 2023 amounted to € 1,669.6 billion, with a year on year change of -3.9%. Loans to residents in Italy in the private sector decreased by 3.2% (€ 1,428 billion) compared to one year prior. Loans to households and non-financial companies totalled € 1,296 billion, with a year on year change of -2.2%. Based on official Bank of Italy figures, in December 2023 the rate of change for loans to non-financial companies was -3.7%. Total loans to households fell by 1.3%. In the third quarter of 2023, residence purchases financed with mortgages fell to 63.4% from 64.1%. Analysis of bank loan distribution by economic sector demonstrates that in December 2023 manufacturing, mineral extraction and services represented around 58.6% of the total, with just manufacturing representing 27.4%. Loans to the commercial and hospitality sector accounted for around 22.4% of the total, with construction contributing 8.7% and agriculture 5.7%. Residual sectors represented around 4.7%.

The rate of new loans in euro to households to purchase housing was 4.42% in December, down with respect to the 4.50% recorded the previous month. Of all new financing disbursed, 62.5% were fixed-rate loans (79.3% the previous month). The average rate on new loans in euro to non-financial companies rose to 5.69%. The weighted average rate on all loans to households and non-financial companies was 4.76%. The spread between interest rates on loans and rates on funding was 220 basis points in December 2023.

Non-performing exposures net of impairment losses and provisioning came to € 16.6 billion in December 2023, up by around 2.4 billion (16.6%) with respect to one year prior. The ratio of net bad exposures to total lending was 0.98%.

According to the official data of the Bank of Italy, updated at December 2023, the amount of government bonds in bank financial statements was 357.3 billion, corresponding to around 65.2% of the total portfolio.

THE BANK'S OPERATIONS

The general and sector macroeconomic situation in financial year 2023 was impacted by significant uncertainty associated with the geopolitical tensions caused by the continued war between Russia and Ukraine and the outbreak of the conflict in the Middle East, as well as the macroeconomic situation which continued to feature high market interest rates. In this context, the Bank continued to implement the Business Plan approved in March 2022.

Commercial activities included the activation of new products for businesses and consumers intended to support an ESG-compliant approach to environmental, social and governance risk management, as detailed in the relevant section.
With reference to direct funding, new 12-month fixed-rate certificates of deposit were issued, combined with the placement of Intesa Life, Intesa Vita and Arca Vita insurance products. Managed assets saw the placement of new window funds, including "Eurizon rendimento diversificato marzo 2028", "Eurizon PIR Obbligazionario", "Eurizon PIR Obbligazionario edizione 2", "Eurizon Rendimento Diversificato", "Eurizon PIR Obbligazionario Edizione 4" (ISP and NP Classes) and "Eurizon PIR Obbligazionario Edizione 5" (ISP and NP Classes).
To strengthen offerings in the insurance sector, the Bank added the Arca Vita "Oscar 100% Savings Plan" class I policy to its catalogue of products to expand the range of innovative investment and successor planning solutions. Additionally, placement of the ARCA Assicurazioni "Ama&Proteggi Benvenuto a casa" product began, which offers home coverage against fire, lightning, explosion, weather and socio-political events. With respect to monetics, a major campaign to replace international Carifermo Pay non-contactless cards with Nexi Debit Consumer cards began, as well as placement of the Nexi Prepaid Card intended for Bank employees. Additionally, the new Self-Service Deposit Card was introduced, intended for business use. The option to automatically activate Next-Generation Services at ATMs when a Carifermo Pay or Nexi Debit card is issued was released, allowing cardholder customers to use the Bank's automatic equipment for information and orders on accounts held or jointly held by the customer.

Also in 2023, the bank was committed to implementing the measures put in place by the Government to favour the development of the Italian industry. Specifically:

- recognition of the norms amending the implementation procedures for the "Plafond-Beni Strumentali" measure (known as "New Sabatini") pursuant to article 2 of Italian Decree Law 69 of 2013, as converted by Law 98 of 2013.
- Implementation of extensions with reference to loans in line with Italian Law 197/2022, for actions carried out in deviation from the rules applying to the "guarantee fund for first home mortgages", provisions which exempt settlement for pay deeds for residential "first

homes", suspension of instalment payments for mortgages and loans in the regions of Central Italy affected by the 2016 earthquake, application of the transitional rules for the SME Guarantee Fund and the subsidy "Superbonus 110%".

- Implementation of the right, sanctioned by article 1, paragraph 322 of Law 197/2022, to renegotiate mortgages for original amounts not exceeding € 200 thousand, to purchase or remodel real estate units intended for habitation by households with an ISEE not exceeding € 35 thousand, switching from a variable to a fixed rate and, if necessary, extending the repayment plan for up to a maximum of 5 years.
- Subsidies for household customers, to keep the amount of mortgage instalments at a sustainable level in terms of income: elimination of "Expense recovery for amendments to be made through a notary", elimination of instalment collection costs with reference to a higher number of instalments, extension of mortgage instalment plans for up to a maximum of 5 years (residual duration of the mortgage at the time of the renegotiation max. 25 years).
- Suspension of mortgage instalment payments, following the resolution of the Council of Ministers, declaring a state of emergency until 11 April 2024 within the Municipalities of Ancona, Fano and Pesaro following the earthquakes on 9 November 2022, in line with the Ordinance of the Head of the Civil Protection Department (OCDPC), no. 991 of 3 May 2023.
- Suspension of mortgage instalment payments, following the resolution of the Council of Ministers, declaring a state of emergency until 4 May 2024 in the Provinces of Reggio Emilia, Modena, Bologna, Ferrara, Ravenna and Forli-Cesena impacted by the exceptional weather events starting on 1 May 2023, in line with the Ordinance of the Head of the Civil Protection Department (OCDPC), no. 992 of 8 May 2023.
- Suspension of mortgage instalment payments after the extension, established in Council of Ministers resolution of 23 May 2023, to the Municipalities of Camerino, Montecassiano and Treia, in the province of Macerata, of the state of emergency, declared in the Council of Ministers resolution of 16 September 2022, followed by the Ordinance of the Head of the Civil Protection Department (OCDPC), no. 922 of 17 September 2022, following the exceptional weather events starting on 15 September 2022.
- Management of the tax release option, which can be exercised by customers by 30 June 2023, on returns accrued through 31 December 2023, in line with the 2023 Budget Law no. 197/2022 with reference to stocks, UCITS units and insurance products from Arca Vita and Intesa Sanpaolo Vita.

With reference to services provided to customers, looking to developing digital and innovative payments, a continuously evolving sector, the Bank has expanded its bank transfer service, offering all customers with an internet banking device the ability to carry out instant outgoing bank transfers (the European "SCT Inst" scheme). Since the beginning of the year, the OTP Digital Signature service has been available, allowing customers to sign forms at branches generated by certain IT procedures, also contracts. This makes it possible to sell certain products and services remotely using the OTP digital signature, through the "Digital Collaboration" service found on the Carifermonline internet banking. In November, the new "Consulenza Multipla" function was launched, making it possible to track advice on multiple financial instruments with cost and benefit analysis. Additionally, the Bank continues to invest in projects aimed at improving the quality of the services it provides customers. More specifically, the Carifermonline Internet Banking service was made more efficient in 2023, with projects to expand online transactions to all customers and digital reporting for documents, automate linking of reports to the internet banking service and improve the efficiency of opening and managing IB accounts. The asset management and securities deposit sales process was revised, integrating it with the IC procedure and offering the possibility for the OTP digital signature. For the Internet Banking service, new types of reports were introduced, including those specifically for legal entities and administrators, as well as the possibility to establish individuals who will use the service outside of the account holder. The Corporate Banking Prima Web service has been enriched, offering the possibility of ordering instant bank transfers (European SCT Inst scheme), to meet the needs of companies, who can now make use of this new service to make payments in real time, optimising accounts management and cash management transactions.

Updating of the main internal organisational processes involved the following activities:

- Revision of the internal whistleblowing system, including an update of the relative policy following the issue of Italian Legislative Decree 24 of 10/03/2023, on the implementation of Directive EU/2019/1937 of 23/10/2019.
- Adaptation to the Quick Fix regulation (Directive 2021/338/EU), which establishes a requirement for banks and financial intermediaries to comply with disclosure requirements for investment services provided "electronically". In this context, a series of projects were carried out on the Carifermonline Internet Banking services, including an initiative for IB Light customers, with solely document functions for investment accounts held or jointly held by the customer.
- Revision of the process used to transfer payment services in line with the PAD regulations, to comply with ABI provisions, effective 30 October 2023.
- Revision of the Nexi credit card placement process, following the 19 April 2023 publication by the Bank of Italy of Revolving Credit Supervisory Guidelines, to ensure conformity in the practices used by supervised intermediaries and support more careful behaviour in customer relations.
- Introduction of the "Credit Monitoring Framework" and transfer of Early Management and Anomalous Loan activities from the Loan Office to the Loan Monitoring Office.
- Adhesion to the Crif S.p.A. Eurisc Credit Information System, replacing the similar service supplied by the Cerved Group's Experian Italia S.p.A.
- Use of a repository to share and safely file relevant corporate body documents, through the CDAONBOARD platform, with the aim of improving the efficiency of Secretary activities and managing, carrying out and consulting collegial work.

Updating the regulations involved the following aspects:

- Revision of the company's organisational chart and department structure, with the following main changes: a) the establishment of a new second-level control function known as ICT and Security Control, in compliance with the new regulations established in the 40th update to Bank of Italy Circular 285/2013 "Supervisory provisions for banks", for which the Manager of the Compliance and Privacy Office will be responsible. At the same time, the latter was renamed the Compliance, Privacy and ICT Risk Office; b) changes to the tasks assigned to the IT and Security Office, which changed its name to the IT Office and to the Organisation Office; c) definition of a new Organisation and IT Unit, replacing the previous Organisation, Legal and Secretary Unit, to which the Organisation and IT offices report; d) transfer of the General Secretary and Legal Affairs and Litigation Office, which now report directly to the General Manager; e) transfer of the Payment Systems Office, which now reports directly to the Administration, Control and Finance Area; f) the Human Resources Management Office was renamed the Human Resources Office.
- Introduction of the new Smart Working Regulations, to govern smart working within the company in line with relevant current regulations and the national collective labour agreement, with the new system applied experimentally through 31 December 2023.
- Update of the Data Protection Policy and Privacy Regulation. In particular the section on managing the information for legal entities was amended, making it no longer necessary to deliver disclosures on personal data use or obtain the relative consent, in line with the GDPR.
- Update of the Credit Process Regulation, Delegated Powers and Credit Measurement and Classification Policy.

In terms of combating money laundering and the financing of terrorism, new safeguards were introduced for managing geographic risk and foreign transactions, as well as new risk mitigation measures to preventively evaluate customer transactions involving high-risk countries.

To increase the security of the Bank's IT network, a contract was signed with a major company in the sector to adopt a Security Operations Centre and Security Information and Event Management for the next two years, representing the standard for cybersecurity, necessary tools to protect the company's digital assets and ensure security is compliant with the most recent regulations.

The Bank continued to provide treasury and cash services to local bodies. Its traditional role in this sector was further strengthened through the acquisition of two new treasury services, confirming its leadership role. It intends to encourage and strengthen its partnerships with local bodies to exploit all possible and existing synergies to the advantage of the local communities.

At 31 December 2023, the bank managed 38 treasury services, as well as cash services for 7 local bodies. The annexes to the financial statements include a list of the bodies to which the bank provides treasury and/or cash services.

To develop salary-backed loan business through periodic acquisitions from specialised operators, with the objective of risk splitting and diversifying the portfolio in terms of loan type, geography and sector, pursuant to article 58 of Legislative Decree 385/93 (TUB), authorisation was requested from the Bank of Italy to acquire instalment-based salary and/or pension-backed loans without recourse, from Italcredit Spa, for a total amount of up to € 30 million, to occur between 2022-2024. Authorisation was received in November 2022 and in December 2023 a new without recourse transaction was completed with Italcredi S.p.A, for a block of loans pursuant to article 58 of TUB, in favour of Carifermo for a total amount of € 12,070 thousand. This transaction followed similar ones carried out in past financial years.

In May and in October, two sales were completed with Intesa SanPaolo relative to Superbonus receivables, respectively, for € 10,596 thousand and € 4,109 thousand.

Activities begun to reduce NPLs continued in line with the strategies in the NPL Plan and, in addition to constantly increasing internal collection activities, in December a securitisation transaction involving multi-originator NPLs was completed, known as “Luzzatti POP NPLs 2023”. Promoted at a consortium level by Luigi Luzzatti S.c.p.A., which served as the global coordinator and advisor, the securitisation was structured with assistance from Intesa Sanpaolo S.p.A. (IMI Corporate & Investment Banking Division) as the Arranger and Placement Agent, while Studio Orrick Herrington & Sutcliffe LLP (on the Seller side) and Studio Legale Chiomenti (on the SPV/Arranger side) served as the legal consultants for the transaction.

In addition to our bank, the transaction involved another 10 banks and a financial intermediary. The total GBV sold was equal to € 313.4 million. Carifermo sold 10 NPLs with a nominal value of € 12.85 million (GBV of € 14.8 million at the cut off date) and a net carrying amount of € 4.2 million. The final price, net of the loss deriving from the sale of Mezzanines and Juniors, was € 3.3 million, while transaction costs came to € 104 thousand. The net loss associated with securitisation was around € 1 million.

In January 2023, Cassa di Risparmio di Fermo S.p.A., as well as all other less significant banks, received a request from the Supervisory Authority to carry out ad hoc analysis with regards to developing financial projections, based on updated macroeconomic scenarios, to evaluate the solidity of capital projections and the financing capacity of the Bank’s business, to more readily identify potential vulnerabilities. Hence, on 15 February 2023 the update of numeric projections for 2023 and 2024 were sent to the Bank of Italy, with respect to that initially stated in the Business Plan, confirming the strategic actions present in the Plan in question. The Bank of Italy's request also called for the preparation of a funding plan for 2023-2025 (together with the final 2022 comparison figures). This was done in line with the strategy underlying the 2023-2024 business plan approved on 28 March 2023 and sent to the Supervisory Body.

INFORMATION ON ESG ISSUES

In April 2022, the Bank of Italy published its expectations and began assessment and awareness initiatives for intermediaries, with the objective of including evidence in the 2023 SREP. The “Supervisory expectations on climate and environmental risks” contains a series of indications on integrating climate and environmental risk into corporate strategies, in the governance and control systems of banks, in risk management and information disclosed to the market. In this context, it requested the administrative bodies of banks to approve an appropriate plan of initiatives by the end of the first quarter of 2023, intended to define, for 2023-2025, a progressive path to alignment with the “Supervisory expectations on climate and environmental risks”, outlining in a coherent manner suitable schedules for adapting the main corporate policies and organisational and management systems.

The Bank prepared the 2023-2025 ESG Initiative Plan, which defines actions in response to the Bank of Italy's “Supervisory expectations on climate and environmental risks”. The Plan was approved by the Board of Directors at its meeting on 28 March 2023 and sent to the Supervisory Body. Additionally, the Bank updated the ESG Policy, consistent with the “Supervisory expectations on climate and environmental risks”, in which the sustainability guidelines adopted by Cassa di Risparmio di Fermo are outlined, delegating environmental and social sustainability and integration of ESG factors into the Bank's business to a member of the Board of Directors.

In December, the Bank of Italy organised a roundtable with the banking sector and the ABI to explain the main results of the analysis of the plans and verify the progress made while also providing an opportunity to discuss the challenges and problems the market is facing. The main findings resulting from the analysis of the action plans delivered by the LSIs and an update on the best practices were published by the Bank of Italy at the end of 2023.

Our Bank sees the integration of ESG factors into corporate strategies and its organisational and management structures as a priority and promotes the adoption of specific measures focussed on environmental sustainability.

In the context of offers dedicated to clients, a process of carefully selecting products and services that combine ESG logics has begun, influencing behaviour with respect to investment and customer loans. All distribution agreements include financial investment, insurance and pension products and services that gradually integrate ESG criteria. In the case of the open pension funds distributed by the bank, all investments require the use of ESG criteria during asset selection. For the multi-class policies of the Unit component, insurance companies offer Customers a selection of assets with declared ESG characteristics pursuant to articles 6, 8 and 9 of the SFDR, allowing upon request for investments with a significant ESG component. In relation to the supply of ESG figures on financial activities supplied by external providers, analysis of the treasury securities portfolio began, which indicated that around 94% of the securities in the portfolio fall within the best ESG macro-class ("A") and Italian government securities account for 91.3% of this class.

With reference to loans, in addition to the products already in the catalogue, new products were activated during 2023 for companies and consumers with the aim of supporting an ESG-compliant approach to managing environmental, social and governance risks. In particular, for business customers, a specific "Sustainable unsecured business loan subsidy" was established, with special conditions, intended for specific investments identified by the Bank as compatible with ESG objectives, including a) the adoption of solutions and technology to improve building energy efficiency; b) the adoption of industrial/agricultural 4.0 solutions to reduce energy and/or water consumption; c) the adoption of solutions to achieve the transition to organic agriculture models through the sale of certified organic products; d) the adoption of solutions to achieve self-production of electricity/heat through renewable energy systems; e) the acquisition of electric vehicles; f) the installation of infrastructure to provide services to employees and their families including daycares, pre-schools, sports structures; g) the removal of architectural barriers limiting the mobility of persons with disabilities. For household customers, a specific "Sustainable Personal Loan" was established, with special conditions, for investments such as: a) the adoption of solutions and technology to improve building energy efficiency; b) the adoption of solutions to achieve self-production of electricity/heat through renewable energy systems; c) acquisition of electric vehicles (different from those for which specific loans already exist, e.g. car loan).

Additionally, as in previous years, the Bank made tools and specific products available to customers, including the Superbonus 110% loans for private individuals and the Superbonus 110% Advance (for private individuals and companies), to carry out works intended to improve energy efficiency and improve the environmental impact of owned properties, to benefit from the various government subsidies relative to the Bonus and Superbonus (110%, 90%, 65%, 50%).

With reference to monetics, new "ocean" credit and debit cards were introduced to the catalogue in 2023, manufactured using plastic recovered from the oceans, as well as a new layout which combines sustainability aspects with a connection to the local area and the city of Fermo. Additionally, approval of the new Nazionali debit cards (Carifermo pay) began, and new Payment cards dedicated to the business segment were added to the catalogue, both of which produced using recycled plastic.

During 2023, the Bank took part in the proposal of an external provider to supply ESG data relative to companies receiving loans, to determine the positioning of these customers in terms of ESG ratings, transition risk, physical risk and other available variables. In February 2024, this was supplemented with the supply of additional data about real estate already acquired and guaranteed by the bank (households and businesses), to obtain the APE (energy performance certificate), if present, or an estimated one when not, and to determine the physical risk of the properties (Pillar 3), resulting in a summary score and additional detailed scores (no. 17) with reference to the dangers to which the properties are exposed, through 2040, based on their location.

In order to map and analyse the risks associated with property pledged as guarantee for the mortgage loans disbursed by the bank, additions had already been made last year to the agreement with the partner company for property evaluations, to include energy classification in appraisals of real estate pledged as collateral for our loans.

With reference to operating processes, Cassa di Risparmio di Fermo launched a programme to digitalise its operating processes some time ago. Among other things, it envisages adoption of the Advanced Electronic Signature (AES) and the OTP digital signature, which simplifies Bank/Client interaction processes, reduces the use of paper and streamlines digital filing. It also includes Internet Banking Services (IB-HB) dedicated to private customers and companies (Carifermonline and Prima Web), through which new customers can also open a current account online and sign contracts remotely using a digital signature.

ORGANISATION AND WORKFORCE

The Bank is continuing to rationalise its business hours to improve the level of service provided to clients, dedicating resources to consulting, commercial and secretarial activities, and automating operations with less added value.

At year end, the bank's 56 branches were located in seven provinces and three regions as shown in the following table:

REGION	PROVINCE	No. of branches at 31/12/2023
Marche	Fermo	26
Marche	Ascoli Piceno	10
Marche	Macerata	12
Marche	Ancona	2
Abruzzo	Teramo	2
Abruzzo	Pescara	1
Lazio	Rome	3

The bank's owned property used for operations has a surface of roughly 23,541 square metres while its leased property has a total surface of roughly 6,535 square metres. The bank also owns properties which it leases for a total surface of 7,014 square metres.

Branch 29, Porto San Giorgio Sud was transformed to a "Light Branch" with the Head Branch. Branch 17, Porto San Giorgio Centro was transferred to its new location. Branch 47, Monte San Giusto was provided with a self-service area with an ATM able to accept cash and cheque deposits and a similar self-service area was created at the Capparuccia branch, with the installation of a next-generation ATM. In October the new Valmir branch was inaugurated and at the same time the Rubbianello branch was closed. The self-service area and layout in the representation branch in Petritoli was completed. Additionally, in the second half of 2023 special maintenance work was completed on the new "light" branch in Monte San Giusto and the ATMs at the Montottone and Carassi branches were replaced. Building work was also carried out at the Fermo-Campoleggio branch. Finally, a lease contract was signed for the Ancona branch which will be opening soon.

The bank had a total workforce of 346 employees, 1 less than the previous financial year:

	Workforce at 31/12/2023	2023 departures	2023 entries	Promotions	Workforce at 31/12/2022
Managers	2				2
Junior managers, 3rd and 4th level	42	-6		1	47
Junior managers, 1st and 2nd level	49		1	2	46
3rd professional group	252	-13	17	-3	251
2nd professional group	1				1
Total	**346**	**-19**	**18**	**0**	**347**

At year end, 333 employees had open-term contractors, 13 had fixed-term contracts and 30 had part-time contracts. The workforce includes 233 employees (67.3%) in the branches and the remaining 113 (32.7%) at the head office.

Employee involvement in pursuing the bank's objectives, also ensured through ongoing training, is a key HR target as the bank is convinced of their central role. Training activities involved many professional employees and covered all company areas. With reference to the HR management and development policy, compulsory, managerial and specialist training was provided.
Obligatory training was in the following areas: 1) regulatory updates on ESG criteria, provided in person, with the aim of increasing awareness and knowledge about the key sustainability issues in the banking sector; 2) obligatory regulatory updates on Italian Legislative Decree 81/2008, 3) obligatory regulatory updates on IT security; 4) anti-money laundering training, relative to regulatory updates in effect as from January 2024; 5) e-learning training on transparency, privacy and anti-money laundering; 6) training on e-money authentication, provided in e-learning mode by the Bank of Italy, lasting 2 hours and provided to new hires providing customer assistance; 7) IVASS and ESMA training courses for network personnel authorised to provide information and consulting to customers on financial and insurance aspects.
Behavioural training is intended to strengthen employee work behaviour, with the aim of focussing on personal well-being and development, strengthening processes that fully make use of soft-skills. In the second half, three behavioural training sessions were provided, offered by the Human Resources Office Manager: 1) colleagues hired in the last 3 years and focussed on the Values Charter and on their role in the company as followers and potential future leaders; 2) Branch Hub Managers and the Commercial Unit (Manager and Operational Marketing Department); 3) Commercial Coordinators and Unit (Private and Business Marketing Department).
Specialised training focussed on: 1) continuous regulatory updates for the Administrative Offices, as well as on aspects associated with digital innovation and impacts on business strategies; 2) regulatory update on the “Bankruptcy Law Reform”, for network managers and certain general management colleagues, analysing the essential elements of the new Business Crisis and Bankruptcy Code; 3) CSE procedural training; 4) training to strengthen technical/professional skills, supporting the commercial strategy and improving services offered to customers; 5) training on new application procedures utilised (e.g. Crif, Netech).
In 2023, 21,779 hours of training were provided to employees, of which 9,256 were in-person, 2,037 video conference (synchronous) and 10,486 e-learning (asynchronous). Another 292 hours were associated with shadowing (secretarial, consulting and new hires).

For the corporate bodies, training sessions were provided with assistance from external consultants on the following issues: a) adjustment to ESG management and climate and environmental risks; b) IT security; c) the bank's business model in the new regulatory environment and priorities for 2023 with reference to the SREP; d) controls on the distribution of banking, financial and insurance products; e) the new EBA guidelines and changes in anti-money laundering regulations.

Multi-channel tool

The internet banking service, which includes on-line trading, is well met by customers and 33,452 customers had activated the service at year end compared to 32,146 at the end of the previous year (+4.1%). With reference to Corporate Banking services for businesses, 6,570 businesses had registered with this service compared to 6,374 in the previous financial year (+3.1%). Deposits made at ATMs are summarised in the table below:

2023 ATM DEPOSITS				
TAX BASE	No. of transactions		Amount of transactions (€'000)	
	2023	2022	2023	2022
Cash	124,364	116,374	208,378	194,701
Cheques	27,811	31,580	52,470	57,661

SYSTEM OF INTERNAL CONTROLS

The current system of internal controls is set up in such a way as to ensure appropriate and careful monitoring of the bank's activities and, especially, those subject to the most significant implicit risks. The controls involve the board of directors, the board of statutory auditors, senior management and all personnel, based on their roles and responsibilities.
Specifically, responsibility for the internal controls lies solely with the board of directors, whose duty it is accordingly to:

- establish guidelines, strategies and risk management policies;
- approve the bank's organisational structure, ensuring duties and responsibilities are allocated clearly and appropriately;
- regularly check the organisational structure's adequacy and effective working;
- ensure that the control units are sufficiently independent of the other units and have the appropriate resources to correctly carry out their duties.

The board of directors also regularly assesses the internal control's compliance with the bank's business model and their overall functionality, effectiveness and efficiency. It adopts any remedial actions promptly.

The internal controls cover all the bank's operations and are an integral part thereof. They include the following types of control:

- First level controls

  Line controls, that can be carried out by the production units themselves, included in procedures or performed as part of back office activities;

- Second level controls

  These are carried out by units that define the risk measurement methodologies, check compliance with the limits set by the board of directors on an ongoing basis and compliance with the assigned risk objectives; second level controls also include compliance controls, aimed at ensuring efficient risk management so as to avoid judicial or administrative sanctions, large financial losses or reputation damages due to the violation of external (laws and regulations) or internal rules;

- Third level controls

  Their objective is to check the correctness of the bank's operations and adequacy of its risk management procedures.

Internal Audit

Specifically, third level controls are carried out by the Internal Audit Unit, which reports directly to the strategic supervisory body: this ensures its independence of the other operating units.
When urged to do so by the Internal Audit Unit, senior management takes steps to eliminate any weaknesses, assisted by the relevant office, due to the non-definition and/or introduction of line or second level controls, the related adequacy or inadequacy of organisational processes and any other aspects that could compromise the working of the internal controls as a whole or risk management.
As regards the second level control offices (Risk Governance Office assigned with Risk Management and Anti-Money Laundering; Compliance, Privacy and ICT Risk Office assigned with Compliance and ICT risks and security Control), these are sufficiently independent in order to strengthen their segregation from both the operating and internal audit functions.

Risk management

The Risk Management unit carries out second-level controls in relation to the main risks taken on by the Bank under the directives issued by the Board of Directors and supervisory regulations. Accordingly, it monitors the following risks:

Market risk

Internal regulations require that the VaR (Value at Risk) method be used to measure market risk. It estimates the maximum potential loss considering market values for a set period of time and a set confidence level at normal market conditions.

With reference to second-level controls, the Risk Management unit verifies their compliance with the operating limits established in the internal regulations on a monthly basis, preparing the relative reports for the company bodies.

Liquidity risk

Liquidity risk is measured using an internal model and data provided by the ERMAS application. The board of directors' model is based on the cumulative imbalance between assets and liabilities split by maturity. The bank also regularly monitors the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and the additional monitoring metrics set by internal regulations.

In the second half of 2019, the weekly "Report on liquidity" was also launched by the Bank of Italy, with preparation of the maturity ladder according to the provisions of the supervisory authorities' instructions.

Interest rate risk

The methods used to evaluate exposure to interest rate risk with reference to the bank's portfolio calls for calculating changes in economic value and net interest income based on Bank of Italy Circular 285. With reference to second-level controls, the Risk Management unit verifies their compliance with the limits established in the internal regulations on a quarterly basis, preparing the relative reports for the company bodies.

Credit risk

The Risk Management unit periodically performs second-level controls on the proper performance of credit exposure trend monitoring for non-performing and performing exposures, evaluating the consistency of classification and the consistency of provisioning in relation with internal regulations.

Additionally, to monitor performing loans at the macro level, it uses data from the Credit Position Control (CPC) procedure, which is also used periodically to prepare reports for the corporate bodies.

Credit risk monitoring also uses data on counterpart ratings, prepared using the Automatic Rating System (S.A.Ra) procedure, which classifies customers by credit risk level in 10 classes and estimates the probability of default (PD) based on the counterparty's performance trends, qualitative information obtained in questionnaires and, for companies, assessments of financial statements on a statistical basis and using system analyses.

The internal rating system has also been included in the loan disbursement process, amending the related "delegated powers". Specifically, when positions are rated as CCC or below, the loan approval powers are automatically transferred to general management and are exercised by no lower than the head of the Loans Office.

Single-name and geo-business segment concentration risk

The bank's exposure to business and geographical concentration risk is assessed every three months using Bank of Italy's regulatory models.

Recovery plan

With Bank of Italy provision 467/2020 of 1 September 2020, the Supervisory Body issued new provisions for applying the Delegated Regulation (EU) 348/2019 of the European Commission, dated 25 October 2018, specifying the criteria used to evaluate the impact of the collapse of an entity on the financial markets, other entities and lending terms.

Bank of Italy's measure provides that banks identified as "less significant institutions" may adhere to simplified recovery plan obligations and sets out the minimum content that these banks shall include in their plans.

The bank acknowledges the importance of preparing a recovery plan to be independently implemented should its situation deteriorate with the first trigger signs in order not to reach the stage of irreversibility when the regulator would have to either wind up the bank or put it in compulsory liquidation. Adoption of an effective recovery plan is a useful tool to prevent a crisis situation and essential for the bank's governance.

The Plan is reviewed and updated every two years by the Risk Management Unit in cooperation with the Management Planning and Control Office and other relevant offices. Each amendment is approved by the Management Body (Executive Committee) and the Strategic Function Body. The bank sends the amended recovery plan to Bank of Italy by 30 April every second year.

Operational plan for managing NPE

In line with that established in the European Banking Authority's guidelines on "management of non-performing and forborne exposures" (EBA/GL/2018/06), the Board of Directors annually updates the document "Cassa di Risparmio di Fermo's strategy for managing NPL", which includes the management strategy for NPLs, above all to optimise management of non-performing loans and maximise the current value of amounts collected. The strategy is defined on the basis of an analysis of its operating ability, the market conditions and the characteristics of its NPE portfolio. Both the strategy and the plan are revised annually to include recommendations made by the Executive Committee, the Risk Management Unit in collaboration with the head of the Administration, Control and Finance Unit, assisted by the other competent offices. Each amendment is submitted for the approval of the Strategic Supervision Body.

Legislative decree no. 231 of 21 November 2007 – Prevention of the use of the financial system for the purpose of money laundering and terrorist financing

The Anti-Money Laundering Unit continuously verifies the measures adopted to ensure an adequate oversight of the risks of money laundering and financing of terrorism and to optimise the system of internal controls and delegated procedures; to this end, it also suggests organisational, operational and/or procedural changes, including with the support of the IT outsourcer.
Training on the obligations envisaged by anti-money laundering legislation is conducted by the bank continuously and systematically as part of the organic programmes aimed at all personnel, approved by the board of directors.
For the analysis and assessment of the money laundering and terrorism financing risks to which the bank is exposed, in the self-assessment it adopts objective and coherent procedures in accordance with the criteria and methods indicated by the supervisory authority, taking account of the risk factors associated with operations, the products and services offered, the type of customers, the distribution channels and the geographic area of operation.

The self-assessment is conducted annually and sent to the Bank of Italy by 30 April of the year following the year of the assessment, alongside the annual report by the Anti-money Laundering Unit.

Compliance Unit

The Compliance Unit assesses the risk of non-compliance of the bank's strategic and operating decisions. It carries out preventive checks and subsequent monitoring of the effectiveness of procedures, mainly to prevent possible violations or infractions of the relevant legislation.
As provided for by Bank of Italy's Circular no. 285/2013 and subsequent updates, this Unit manages the risk of non-compliance using a risk-based approach, considering all the pertinent legislation.
Accordingly, it has direct and indirect responsibilities. Specifically, the Unit is directly responsible for management of the risk of non-compliance with the more significant rules related to the "core" scope, such as the performance of banking activities and financial intermediation, management of conflicts of interest, transparency versus customers and, in general, consumer protection laws.
As far as the non-core scope activities are concerned, the Unit's functions are scaled and specialised controls defined for each compliance area.

ICT Risk and Security Control Department

The ICT Risk and Security Control Department reports directly to the management body and is independent of the operating structures, with direct access to the strategic supervision body, the control body and the supervisory body, pursuant to Italian Legislative Decree 231/01. The ICT Risk and Security Control Department is involved in the activities indicated in Bank of Italy Circular 285 of 17/12/2013 and the EBA-GL-2019-04 Guidelines on ICT risk and security management. More specifically, the Department is responsible for monitoring ICT risks and verifying that ICT operations are in line with the risk management system. Through assessment activities, it ensures that risks are identified, measured, evaluated, managed and monitored, as well as classified and kept within the bank's risk appetite limits, ensuring appropriate levels of dialogue and coordination with other company control departments.

IT risks

The bank's IT systems are mainly housed on an operating platform supplied and managed by CSE - Consorzio Servizi Bancari Soc. Cons. a r.l. on an outsourcing basis. This guarantees the security, quality and reliability necessary for all the services used.
The bank also uses other application packages, mainly to provide IT support, analysis and control functionalities. They are installed and managed directly by the relevant internal offices.

The Bank has drawn up information security regulations and a specific information policy given the fundamental importance of information security. The bank's primary objective is the security of company IT assets and, therefore, the document has been prepared to ensure the correct performance of the information system, its correct working and resistance to hacking for the equipment exposed to internet risks. The relevant internal units perform the related controls at different levels, focusing on checking that the security measures are updated regularly to reflect changes in risks deriving from unauthorised access, changes to personal data or its destruction, either unintentionally or intentionally.

As required by law, the outsourcer CSE has a disaster recovery plan which it regularly updates and checks in order to combat the significant risk of disaster and/or hacking. The bank has a backup plan with all the data recovered from the intranet servers as well as a recovery unit that can ensure complete operating continuity should the main systems be shut down.
In order to reduce the potential risks of on-line connections to the internet, the bank has a special portal and an intranet for internal e-mail management.

All bank employees who handle personal data and use electronic tools undergo training about the related risks and the proper procedures to adopt in order to avoid damaging events.

Business continuity and disaster recovery plans

The bank has a business continuity plan prepared with the assistance of its IT outsourcer. The issue of business continuity includes a purely technological component (disaster recovery) and

an organisational aspect, aimed at defining a business continuity plan for emergencies to ensure a return to minimum operations in a short as possible time frame in the case of a disaster.
The plan's objective is to analyse the effects of events that could threaten the continuity of internal operating processes and to design the related preventive and remedial measures as well as any related actions to be taken to restore business operations as quickly as possible.
The bank's business continuity plan is consistent with the business continuity and disaster recovery plans adopted by CSE (Banking services consortium), which are also regularly updated and checked.

IT Audit

The engagement for the IT audit, checks of the general controls and security of the CSE IT systems was assigned to leading specialists by the bank members of the consortium. These consultants also carried out checks and follow-ups of the main findings of the IT audit of the previous year and specific analysis of the system's vulnerability to threats and external attacks. Another appointment was given by the audit consortium on FEIs, outsourced to Caricese.

Data protection

As provided by Regulation (EU) 2016/279 (GDPR), the bank appointed a data protection officer (DPO) pursuant to art. 37 of the GDPR; the DPO is part of the Compliance and Privacy Office and has various duties including the monitoring of compliance with the GDPR and liaising with the data subjects and the Italian Data Protection Authority.

The Bank adopted a "data protection policy" which defines roles and responsibilities in the context of personal data processing, and "privacy regulations", which outline the operating methods and provide instructions to data processing staff; they are periodically given specific training with the objective of strengthening the controls intended to mitigate the risk of a data breach.

Particular attention is paid to the selection of suppliers qualified as data processors pursuant to art.28 of the GDPR and to the drafting of commercial agreements in terms of compliance with the applicable legislation.

Law no. 231/2001 - Companies' administrative liability

Legislative decree no. 231/2001 introduced the administrative liability of companies for unlawful practices carried out by company key personnel in its interests. This decree provides for the non-liability of companies that have previously adopted and implemented an "Organisational model" suitable to prevent the crimes it sets out.
The bank checked its Organisational Model, also as regards the new predicate crimes, assisted by the supervisory body which checks its working, effectiveness and compliance. The body also ensures that it is up to date.
The duties of the supervisory body are carried out by the board of statutory auditors which may resort to the Internal Control Unit managers for specific functions.

THE BANK'S FINANCIAL POSITION
Lending

Breakdown of lending by product							
Description	Financial year			Change since 06/2023		Change since 12/2022	
	12/2023	06/2023	12/2022	Amount	%	Amount	%
Current accounts	46,664	50,045	55,798	-3,381	-6.8%	-9,134	-16.4%
Postal current accounts	34	64	97	-30	-46.9%	-63	-64.9%
Financing for advances	157,851	147,354	152,811	10,497	7.1%	5,040	3.3%
Loans	901,322	867,830	886,916	33,492	3.9%	14,406	1.6%
Subsidies not settled through current accounts	38,485	34,312	39,209	4,173	12.2%	-724	-1.8%
Loans against pledges	43	22	32	21	95.5%	11	34.4%
Salary-backed loans	26,343	18,745	20,260	7,598	40.5%	6,083	30.0%
Bad exposures	15,221	21,035	21,400	-5,814	-27.6%	-6,179	-28.9%
Portfolio risk	523	457	464	66	14.4%	59	12.7%
Transactions with the Treasury Department	25	475	97	-450	-94.7%	-72	-74.2%
Total lending	**1,186,511**	**1,140,339**	**1,177,084**	**46,172**	**4.0%**	**9,427**	**0.8%**
- including: in Euros	1,186,404	1,140,164	1,176,988	46,240	4.1%	9,416	0.8%
- including: in foreign currency	107	175	96	-68	-38.9%	11	11.5%
Own HTC securities	289,410	264,687	289,732	24,723	9.3%	-322	-0.1%
Total caption 40. b)	**1,475,921**	**1,405,026**	**1,466,816**	70,895	5.0%	9,105	0.6%

Table 1

Lending net of impairment funds totalled € 1,186.5 thousand, up by 0.8% on an annual basis, while securities in the HTC segment included in caption 40.b) of the balance sheet amounted to € 289.4 million, substantially in line with the previous financial year.

Analysis of net loans by technical form (see Table 1) shows recovery in financing for advances, which rose by 3.3%, while current accounts fell by 16.4%, and subsidies not settled through current accounts fell by 1.8% year on year. Mortgages increased by around € 14.5 million (+1.6%) with respect to 31 December 2022.

In 2023, Carifermo was once more confirmed as the main bank of reference for households and local businesses. New financing disbursed amounted to over € 355 million, or 2,764 transactions (€ 282 million and 2,953 transactions in 2022).

The following table provides a breakdown of the exposures from companies based on their ATECO codes and for amounts exceeding €5 million:

ATECO	Description	Gross amount 31/12/2023	Net amount 31/12/2023
412000	Construction of residential and non-residential buildings	57,467	51,793
152010	Footwear	46,151	44,295
682001	Property leases	29,669	27,060
101100	Production of non-bird meat and slaughter by-products (slaughterhouse activity)	14,783	14,613
682000	Lease and management of owned or (rented) property	13,736	13,449
774000	Granting of rights to use intellectual property and similar products (excluding	12,967	12,941
463920	Non-specialised wholesale of other foodstuffs, drinks and tobacco	12,806	12,762
464730	Wholesale of items for lighting; various electrical material for domestic use	10,386	10,383
471120	Supermarkets	9,008	9,001
681000	Buying and selling of own real estate	8,499	7,765
494100	Goods transportation by road	7,965	7,725
451101	Wholesale and retail sale of cars and light vehicles	7,926	6,295
257320	Manufacturing of dies, mould bases, templates, moulds for machines	7,470	7,379
591400	Film projection activities	7,328	3,891
282309	Manufacturing of office machines and other equipment (excluding computers and peripheral systems)	7,065	7,064
222901	Plastic parts for footwear	7,050	7,028
553000	Camping areas and areas equipped for campers and caravans	6,757	6,743
152020	Leather parts for footwear	6,745	6,508
561011	Catering	6,423	6,247
151209	Manufacturing of other travel items, bags and similar, leather goods and saddlery	6,079	5,984
462110	Wholesale of grain and dried pulses	5,887	5,871
701000	Operational company management activities (holding-operating companies)	5,640	5,630
551000	Hotels and similar structures	5,487	5,381
201600	Manufacturing of plastic materials in primary forms	5,355	5,353
251100	Manufacturing of metal structures and assembled structural parts	5,153	5,134
581400	Issue of magazines and periodicals	5,153	4,871
107300	Production of edible pasta, couscous and similar farinaceous products	5,035	5,033
382200	Treatment and disposal of hazardous waste	5,010	4,986
	Exposures with companies > 5 MILLION	**328,998**	**311,186**
	Exposures with companies < 5 MILLION	**349,670**	**333,809**
	TOTAL EXPOSURES WITH COMPANIES	**678,668**	**644,996**

Table 2

As previously indicated, activities begun to reduce NPLs continued, in line with the strategies found in the NPL Plan, and in addition to internal collection activities, which are constantly increasing, the Bank completed the multioriginator NPL securitisation transaction in December, known as “Luzzatti POP NPLs 2023”, selling 10 NPLs with a nominal amount of € 12.85 million and a net carrying amount of € 4.2 million. The final price, net of the loss deriving from the sale of Mezzanines and Juniors, was € 3.3 million, while transaction costs came to € 104 thousand. The net loss associated with securitisation was, therefore, around € 1 million. An analysis of irregular exposures shows new exposures reclassified as unlikely to pay for € 10,112 thousand, of which 7,340 coming from non-performing exposures, while the amount of positions reclassified as bad exposures in 2023 was € 4,197 thousand, of which € 2,941 thousand from exposures already classified as non-performing. Total and partial write-offs were made during the year for around € 8,903 thousand. The volume of collections of unlikely to pay exposures is € 9,646 thousand, while collections of NPLs, net of the sale outlined above, came to € 5,689 thousand.

Gross non-performing exposures decreased overall by € 33 million (-32.5%). Within the aggregate, non-performing exposures fell by 34% and unlikely to pay exposures by 31.7%, while past due impaired exposures came to around € 1 million, up with respect to the previous year. Net impaired loans fell by 30.3% with respect to 31 December 2022.
The following table shows the performance of irregular exposures and the bank’s coverage rate:

NON-PERFORMING EXPOSURES					
		31/12/2023	31/12/2022	Differences with 31/12/2022	
				Amount	%
Total non-performing exposures	Gross amount	68,591	101,574	-32,983	-32.47%
	Impairment losses	41,721	63,038	-21,317	-33.82%
	Carrying amount	**26,870**	**38,536**	**-11,666**	**-30.27%**
coverage rate		*60.83%*	*62.06%*		
Bad exposures	Gross amount	44,390	67,291	-22,901	-34.03%
	Impairment losses	29,169	45,890	-16,721	-36.44%
	Carrying amount	**15,221**	**21,401**	**-6,180**	**-28.88%**
coverage rate		*65.71%*	*68.20%*		
Unlikely to pay exposures	Gross amount	23,112	33,830	-10,718	-31.68%
	Impairment losses	12,230	17,080	-4,850	-28.40%
	Carrying amount	**10,883**	**16,750**	**-5,867**	**-35.03%**
coverage rate		*52.91%*	*50.49%*		
Past Due	Gross amount	1,088	453	635	140.26%
	Impairment losses	322	68	254	373.32%
	Carrying amount	**767**	**385**	**382**	**99.10%**
coverage rate		*29.57%*	*15.01%*		

Table 3

The positive downward trend in non-performing exposures is reflected in the performance of the gross NPL/gross lending indicator which assumes a value at the end of 2023 of 5.52%, while the net NPL/net lending indicator assumes a value of 2.26%. Both indicators mentioned reached and exceeded the targets defined in the NPL plan approved in March 2023, equal to 8.3% for the gross NPL/gross lending indicator and 3.5% for the net NPL/net lending indicator respectively.
Overall, the coverage of irregular exposures amounted to 60.83%, while the total exposures recorded a coverage of 4.49 %.

CREDIT RISK at 31/12/2023

LENDING	31/12/2023			31/12/22		Difference gross exposures		Difference net exposures		Coverage	
	Gross amount	Total impairment	Carrying amount	Gross amount	Carrying amount	Amount	%	Amount	%	31/12/2023	31/12/2022
A. NPE	**68,591**	**41,721**	**26,870**	**101,574**	**38,536**	**-32,983**	**-32.47%**	**-11,666**	**-30.27%**	**60.83%**	**62.06%**
A.1. Bad exposures	44,390	29,169	15,221	67,291	21,401	-22,901	-34.03%	-6,180	-28.88%	65.71%	68.20%
A.3. Unlikely to pay exposures	23,112	12,230	10,883	33,830	16,750	-10,718	-31.68%	-5,867	-35.03%	52.91%	50.49%
A.2. Past due exposures	1,088	322	767	453	385	635	140.26%	382	99.10%	29.57%	15.01%
B. Performing exposures	1,173,759	14,118	1,159,640	1,152,383	1,138,549	21,376	1.85%	21,091	1.85%	1.203%	1.2005%
TOTAL	**1,242,349**	**55,839**	**1,186,511**	**1,253,957**	**1,177,085**	**-11,608**	**-0.93%**	**9,426**	**0.80%**	**4.49%**	**6.13%**
Bad exposures/total exposures									**NET**	**1.28%**	**1.82%**
NPE/total exposures										**2.26%**	**3.27%**
Bad exposures/total exposures									**GROSS**	**3.57%**	**5.37%**
NPE/total exposures										**5.52%**	**8.81%**

Table 4

Collective impairment losses on performing exposures were recognised using the impairment rules of IFRS9. The percentage of collective impairment loss is substantially in line with the closure of the previous financial year, at 1.2%

Under IFRS9, performing exposures are classified into 2 stages:

- Stage 1: performing exposures which have not seen a significant increase in their credit risk since initial recognition.
- Stage 2: performing exposures which have seen a significant increase in their credit risk since initial recognition.

The division of performing exposures into Stage 1 and Stage 2 is shown below:

Stage	Loans and receivables with customers	Impairment losses	% hedged
Stage 1	946,497	2,681	0.28%
Stage 2	227,261	11,437	5.03%
Total	**1,173,759**	**14,118**	**1.20%**

The bank defined the criteria for a “significant increase in credit risk”, i.e., the criteria for their reclassification to stage 2, considering indicators such as a worsening in the commensurate probability of default of the counterparty on the basis of the rating system used by the bank, a worsening in the internal performance score (credit position control - CPS - score), the number of continued past due/overdrawn days and whether forbearance measures have been applied.

The 12-month PD was applied to performing exposures in stage 1 while the lifetime PD was applied to stage 2 performing exposures in order to calculate the expected loss.

The impairment losses were calculated considering a 12-month horizon for all those exposures that have not shown a significant deterioration while a lifetime horizon was considered when there was a decrease in the borrower’s credit rating.

As required by IFRS 9, the definition of expected credit losses for performing exposures includes forward-looking information.

The general and sector macroeconomic framework, still affected by significant uncertainty caused by the continuation of the Russia/Ukraine conflict and by the outbreak of the Middle-east conflict, high inflation driven by increases in commodities and energy prices, as well as the sharp increase in market interest rates, continues to ask banks to govern the impacts of this situation with respect to credit risk and related financial statement measurements. In this regard, in 2023 the bank continued to monitor the situation, with dedicated analyses aimed at identifying the best way to intervene on the credit risk measurement and forecast systems, aligning them with changes detected from time to time and avoiding excessive pro-cyclicality in the definition of collective provisions, as recommended by the regulators (especially ESMA and ECB).

In order to limit the effects associated with the estimated economic recovery, a number of “top-down” corrections were applied, including the “expert” assignment of the probability of occurrence of the macroeconomic scenarios considered by the model, in particular the probability of the adverse scenario. A 100% probability was assigned to this latter given the prospective macroeconomic situation, influenced by the significant uncertainty caused by the various external factors previously cited.

Please see part A, section 4 “Other aspects” and part E, section 1 “Credit risk” in the Notes for further considerations on monitoring implemented by the Bank during 2023.

With reference to the asset brokerage business, the following activities were carried out during the year:

Leasing: the bank continued its operations in the finance lease sector in collaboration with Fraer Leasing S.p.A., leading to the execution of 32 contracts worth € 3.7 million in addition to 10 contracts agreed with Alba Leasing for € 1.8 million.

Credit cards: the bank was again very active in this sector with a total 19,638 credit cards issued at year end, with an increase in 148 new cards. The issue of Viacard and Telepass cards recorded 9,921 cards, a decrease of 99 cards over the previous financial year.

Consumer loans: in this sector the Bank’s business was substantially stable with respect to the previous year. 934 personal loans were granted by the bank, both directly and through major specialised companies, for approximately € 14.3 million. To these were added the activities relative to salary-backed loans, with 149 cases finalised for a total of around € 3.5 million through the partner Itacredi S.p.A. As previously indicated, in December a new without recourse transaction was completed with Italcredi S.p.A, for a block of loans pursuant to article 58 of TUB, in favour of Carifermo for a total amount of € 12,070 thousand.

Investments

2023 was characterised by the major monetary tightening carried out by the central banks, with interest rates brought to their highest level in the last 23 years, where they remained through the end of the year, at 5.25%-5.50% for the United States and 4.50% for the Eurozone. On the other hand, the consumer price index, also due to the restrictive monetary policies implemented by the central banks, began to fall at the beginning of 2023, with a disinflation process that continued throughout the year.
In the Eurozone the consumer price index went from around 10% to less than 2.5% in the last 12 months and in the United States it went from 6% to 3%, nearing the 2% target set by the central banks. All components moved downwards, although core services did not see as rapid a deceleration as the others did.
Slowing inflation allowed central banks to adjust their statements with respect to future monetary policy actions. The long-term restrictive approach was abandoned and initial announcements have been made to cut the cost of money starting in 2024.
The global economy was slowed by the monetary restrictions imposed by many countries and the uncertainties caused by ongoing conflicts. The geopolitical fault lines which have emerged globally, not yet fully faced, have and may continue to compromise the prospects for development and integration between countries, as well as the multilateral architecture that serves as the foundation for international relations.
In contrast to the United States, where growth was a positive surprise, in Europe the economy has stagnated and no signs of a strong acceleration have been seen, despite the rapid decrease in inflation and the reduction of price stability risks.
The weakness of the European economy also includes Italy, even if positive signals have been seen in recent years in terms of greater capital accumulation, a strong labour market and excellent competitive ability for many countries on international markets, as well as the solidity of the banking sector. These are significant aspects that may play an important role in relaunching development in Italy.

The stock markets performed well in 2023, reaching new historic highs. On Wall Street, the S&P500 rose by around 25%, mainly driven by the "Magnificent Seven" (Nvidia, Tesla, Meta Platforms, Apple, Amazon, Microsoft and Alphabet) as well as certain pharmaceutical sectors. On the other hand, the fixed income market saw itself in a battle between fears of recession, hopes of recovery and disinflation. For government bonds, 2023 featured daily oscillations not seen since the financial crisis of 2007-2008.
At year end, the US ten-year rate was 3.90%, while the German Bund was 2.05% and the return on the BTP Italian government bonds was 3.60% and the spread with the German Bund was 155 points.
With respect to exchange rates, the US dollar depreciated by 3.60% relative to the Euro, while the British pound gained 2.02% and the Japanese yen depreciated by 11.14%.

Asset management

With reference to Epsilon SGR Total Return, stock exposure at the end of the year fell from 11% to 9%, with the weight equally divided between the three largest geographic areas: the United States, Europe and Japan. In the American area, optional protection strategies were implemented. Investments in bonds were mainly focussed on the Euro curve, for the most part in corporate and covered bonds, in addition to exposure to US Treasury and German Bund futures. Overall portfolio duration rose to around 1.9 years.
With reference to forex, the position for certain Asian currencies remained stable at 4%, equally divided between the Indian rupee and the yen, while there was a short position relative to the US dollar equal to 2%. Annual operating performance was positive (4.10%).

The Total Return management mandate held by Eurizon Capital SGR saw 8% invested in European shares at the end of 2023, with 13% in US shares, 7% in high yield bond funds and the remaining portion in government securities, most denominated in Euros. Management saw positive performance of 6.34% in 2023.

The bank's investment objectives and related diversification continued to be in line with its prudent approach to all its investments, not solely the financial ones.

The rest of the bank's financial investments is nearly entirely comprised of Italian government bonds with the small remainder consisting of senior bonds issued by major Italian banks and by corporate firms with investment grade ratings.

The VaR model is used to monitor risk, for both the managed component and internal component of the portfolio.

The securities held by the bank are distributed across the following portfolios:

HTC (hold to collect): this portfolio includes financial instruments with a steady coupon flow over time; the board of directors decides whether to invest in this type of instrument.

HTCS (hold to collect and sell): this portfolio includes liquid instruments listed in markets where the bank operates with a minimum rating of BBB- or the equivalent for Italian government bonds. Securities are classified in this portfolio if they will be held over time or sold depending on market trends;

HTS (hold to sell): this portfolio includes financial assets with a minimum rating of BBB- that ensure principal repayment should the short-term scenarios assumed by the finance committee materialise. If the loss thresholds are breached, the financial instruments are sold in the shortest possible timeframe. The portfolio comprises securities included in the management mandates given to third parties.

The carrying amount of the Bank's securities portfolio amounted to € 1,049.3 million (excluding equity investments equal to € 22,183 thousand and the Efesto AIF equal to € 2,800 thousand), down compared to the 1,351.3 million at the end of 2022, mainly due to the effect of sales made during the period for reimbursement of the TLTRO.
To reduce the cost of the TLTRO, during 2023 € 200 million was repaid in advance (€ 70 million in June, € 30 million in September and € 100 million in December) relative to the second tranche and a portion of the third tranche, maturing in 2024. Additionally, € 90 million was repaid relative to the first TLTRO tranche maturing in June 2023 (€ 20 million repaid in February 2023 with the remaining € 70 million repaid in June 2023). The residual ECB TLTRO loan is equal to € 170 million, maturing in December 2024 (third tranche).

The breakdown of the portfolios is shown below:

HTC portfolio

HTC portfolio Carrying amounts*				
	Financial year		change vs. 12/2022	
	12/2023	12/2022	amount	%
CCT Italian treasury certificates	5,783	33,673	-27,890	-82.82%
BTP Italian government bonds	269,371	243,630	25,741	10.57%
Bonds	5,033	5,031	2	0.04%
Senior Buonconsiglio 4	6,168	7,561	-1,393	-18.42%
Senior Luzzatti POP NPLS 2023	3,189	0	3,189	0.00%
Total	**289,545**	**289,895**	**-350**	**-0.12%**

* before impairment pursuant to IFRS 9 equal to € 134 thousand at 31/12/2023 and € 164 thousand at 31/12/2022.

Table 5

At the end of the year, the HTC portfolio came to € 289.4 million, substantially in line with the value at the end of 2022. The market value at 31 December was € 256,562 thousand. Investments made as part of the HTC portfolio mainly targeting the coupon flow were nearly entirely represented by Italian government bonds. During the year, opportunities found on the markets as a result of developments in the economic situation led the Bank to sell securities from the HTC portfolio for a total nominal amount of € 37.6 million, for total profits of € 274 thousand.

The securities sold were replaced with Italian government bonds in line with the business model's objective to support net interest income. The sales were carried out in full compliance with IFRS 9 and the bank's policy for financial risk.

HTCS portfolio

HTCS portfolio				
	Financial year		change vs. 12/2022	
	12/2023	12/2022	amount	%
CCT Italian treasury certificates	426,156	511,338	-85,182	-16.66%
BTP Italian government bonds	155,902	370,153	-214,251	-57.88%
Bonds	1,425	1,316	109	8.28%
Total	**583,483**	**882,807**	**-299,324**	**-33.91%**

Table 6

The portfolio of financial assets measured at fair value through other comprehensive income (HTCS) came to € 583.5 million, down by around € 300 million with respect to the closing amount at 31/12/2022. An assessment of the HTCS portfolio showed a positive change of € 28.9 million, compared to the reporting date of 31 December 2022, in the equity valuation reserve which at 31 December 2023 came to € -25 million before tax. In 2023, lower returns on Eurozone government securities led to a significant decrease in capital losses on the HTCS portfolio compared to the end of 2022. Securities trading in the HTCS portfolio resulted in a net loss of € 8.9 million, incurred to repay the TLTRO debt, as noted above.

HTS portfolio

HTS portfolio				
	Financial year		change vs. 12/2022	
	12/2023	12/2022	amount	%
BOT	10,261	28,733	-18,472	-64.29%
BTP Italian government bonds	16,004	7,528	8,476	112.59%
Derivatives	886	3,020	-2,134	-70.66%
Provisions	6,065	5,456	609	11.16%
Bonds	132,127	129,472	2,655	2.05%
Shares	10,895	4,385	6,510	148.47%
Total	**176,238**	**178,594**	**-2,356**	**-1.32%**

Table 7

The portfolio of financial assets held for trading (HTS) totalled € 176.2 million, with a decrease of € 2.4 million compared to the balance at 31/12/2022. The portfolio of securities held for trading gave produced capital gains of € 4.2 million, with net profit from trading of around € 2.1 million. The net result of trading also includes the positive differential on derivatives, € 688 thousand, and exchange losses of € 1.2 millions.

Overall, the net result from securities activities was negative at € 2.7 million as at 31 December 2023. At the end of December, the duration of the HTCS portfolio was 2 years and 280 days, while the duration of the HTC portfolio it was 6 years and 51 days.

Obligatorily Measured at Fair Value Portfolio

The current portfolio accounts for the shares of the Italian AIF Efesto, deriving from the transfer of two unlikely to pay exposures. The valuation of the shares of the AIF at the latest available NAV, adjusted for 15% to take account of the liquidity risk on the shares of said fund, is equal to € 2,799,760 and showed a gain of € 358.4 which was recognised in caption 110/b of the profit or loss. During the year, partial repayments of the shares were also recognised for € 748 thousand.

This portfolio also includes the remaining Mezzanine and Junior securities deriving from the multioriginator securitisation transaction for NPLs, known as Buonconsiglio 4, following the sale of 95% of the same. The residual nominal value is € 79 thousand, while the fair value measurement of the same led to their value being reduced to zero in financial year 2022. This portfolio also includes the remaining Mezzanine and Junior securities deriving from the multioriginator securitisation transaction for NPLs, known as Luzzatti POPNPLs 2023, following the sale of 95% of the same. The residual nominal value is € 29 thousand, while the carrying amount is € 8 thousand.

Equity investments

The bank has recognised its non-controlling interests in banks, financial and commercial companies in the fair value through other comprehensive income (FVOCI) portfolio and intends to hold on to these investments in the long term. It does not have controlling investments.
The bank had equity investments of € 22,183 thousand at year end compared to € 22,158 thousand at the end of the previous year. They were essentially formed of the investment in the Bank of Italy (€ 15 million), CSE Consorzio Servizi Bancari S.r.l. (€ 6.25 million), Nexi S.p.A. (€ 676 thousand).
The annexes to the financial statements show a list of the bank's equity investments at year end, all classified in the HTCS portfolio as they do not meet the requirements for inclusion in caption 70 - Equity investments under Assets.

Funding

The trend for **direct funding** during the year was down by 2.7%, both with reference to companies and households, substantially due to a recovery in consumption and investments which in fact led to a reduction in client liquidity.
At the end of the year, the balance was € 1,961.2 million, compared to € 2,015.3 million the previous year, for a decrease of around 54.2 million.
The following table analyses the direct funding, breaking the caption down into individual product:

Breakdown of direct funding by product				
Description	**Financial year**		**Change since 12/2022**	
	12/2023	**12/2022**	**Amount**	**%**
Savings deposits	80,908	95,105	- 14,197	-14.9%
Current accounts	1,678,471	1,786,695	- 108,224	-6.1%
Certificates of deposit	57,346	37,588	19,758	52.6%
Third party funds under administration	138,969	90,211	48,758	54.0%
Liabilities for assets acquired under lease	5,461	5,727	- 266	-4.6%
Total direct funding	**1,961,155**	**2,015,326**	**- 54,171**	**-2.7%**

Table 8

Current accounts payable in euros and foreign currencies continued to be the most significant technical form, amounting to € 1,678,471 thousand, with a decrease of € 108,224 thousand year on year, equal to 6.1%, and account for 85.6% of all of the Bank's direct funding.
The decrease in savings deposits continued, totalling € 80,908 thousand (14.9%). Certificates of deposit increased by 52.5% to € 57,346 thousand. "Liabilities for assets acquired under lease" include the recognised liabilities with respect to recognition in the assets of the rights of use deriving from the adoption of IFRS16. The increase in third-party funds under administration connected to "earthquake" mortgages was significant.

The following table shows the amounts due to customers by business segment and how funding from households equal to 45.6% of the total direct funding slightly decreased compared to 47% in the previous year. Funding from businesses decreased from 33.1% in 2022 to 31.9% at the end of 2023, while funding from artisans and family businesses was 10.1%, substantially in line compared to the previous year.

DUE TO CUSTOMERS					
		31/12/23		31/12/22	
SAE	Description	Amount	%	Amount	%
4	COMPANIES	625,649	31.9%	666,185	33.1%
61	ARTISANS AND FAMILY BUSINESSES	197,557	10.1%	206,008	10.2%
60	HOUSEHOLDS	900,730	45.9%	947,926	47.0%
99	OTHER	237,219	12.1%	195,207	9.7%
	TOTAL	**1,961,155**	**100.0%**	**2,015,326**	**100.0%**

Table 9

Indirect funding at year end may be analysed as follows:

Description	12/2023	12/2022	Change since 12/2022	
			Amount	%
Government bonds	358,717	198,480	160,237	80.73%
Bonds	31,076	20,449	10,627	51.97%
Shares	100,949	97,417	3,532	3.63%
Total administered funds	**490,742**	**316,346**	**174,396**	**55.13%**
Funds and OEIC units	475,482	452,639	22,843	5.05%
Asset management	38,288	36,979	1,309	3.54%
Total managed funds	***513,770***	***489,618***	***24,152***	***4.93%***
Total indirect funding	***1,004,512***	***805,964***	***198,548***	***24.63%***
Insurance and pension products	654,198	638,303	15,895	2.49%
Total	**1,658,710**	**1,444,267**	**214,443**	**14.85%**

Table 10

Indirect funding, including insurance and pension products, amounted to a total of € 1,658,710 thousand, up compared to the figure at the end of 2022. The component related to administered and managed funds came to a total of € 1,004,512 thousand, up by 24.63% compared to 12/2022.

The details for administered funds show an overall increase of 55.13% with respect to the previous year, with a significant increase of 80.7% in government securities.

The managed funds sector increased, recording a total balance in the year of € 513,770 thousand compared to 12/2022, equal to +4.93%. Insurance products saw a slight increase and, together with pension products, came to € 654,198 thousand, up by +2.49% with respect to the previous year.

As a whole, the administered assets, against the aforesaid performance of direct and indirect funding, increased by 4.63%:

Description	12/2023	12/2022	Change since 12/2022	
			Amount	%
Direct funding	1,961,155	2,015,326	-54,171	-2.69%
Indirect funding	1,658,710	1,444,267	214,443	14.85%
Total	**3,619,865**	**3,459,593**	**160,272**	**4.63%**

Table 11

INCOME STATEMENT

The reclassified statement of profit and loss identifies the most significant economic margins, utilising the same reclassification schedule as in previous years[1].

Reclassified profit or loss

Tax base	12/2023	12/2022	difference	
			amount	%
Net interest income	**56,536**	**63,994**	**-7,458**	**-11.65%**
Dividends	1,379	1,229	150	12.21%
Net fee and commission income	26,145	25,392	753	2.97%
Net trading income (expense) – HTS, HTCS and HTC portfolios	-3,506	-3,166	-340	10.74%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	359	-57	416	-729.82%
Total income	**80,913**	**87,392**	**-6,479**	**-7.41%**
Other operating income	5,414	4,288	1,126	26.26%
Net operating income	**86,327**	**91,680**	**-5,353**	**-5.84%**
Personnel expense	-26,347	-25,321	-1,026	4.05%
Administrative expenses	-21,732	-21,178	-554	2.62%
Amortisation and depreciation	-2,432	-2,463	31	-1.26%
Operating costs	**-50,511**	**-48,962**	**-1,549**	**3.16%**
Operating profit	**35,816**	**42,718**	**-6,902**	**-16.16%**
Net accruals to (utilisations of) provisions for risks and charges	-448	-1,430	982	-68.67%
Net impairment losses on loans and receivables	-333	-3,925	3,592	-91.52%
Modification gains/losses	-1,139	32	-1,171	-3666.18%
Net gains on held-to-maturity and other long-term investments	6	2	4	200.00%
Pre-tax profit from continuing operations	**33,902**	**37,397**	**-3,495**	**-9.34%**
Income taxes	-11,471	-12,833	1,362	-10.61%
Profit (loss) from groups of discontinued operations	0	0	0	0.00%
Net gain	**22,431**	**24,564**	**-2,133**	**-8.68%**

Table 12

The individual balances are shown below:

[1] The item "Net trading income (expense) - HTS, HTCS and HTC portfolios" is the sum of items 80 and 100 in profit and loss.

Net interest income

Tax base	12/2023	12/2022	difference	
			amount	%
Interest income:	***85,879***	***68,129***	***17,750***	***26.05%***
- Ordinary customers	49,965	28,589	21,376	74.77%
- Securities portfolio	34,968	35,872	-904	-2.52%
- Banks	946	3,669	-2,723	-74.21%
Interest expense:	***-29,343***	***-4,135***	***-25,208***	***609.64%***
- Ordinary customers	-17,072	-2,536	-14,536	573.21%
- Certificates of deposit	-609	-398	-210	52.77%
- Banks	-11,662	-1,201	-10,462	871.43%
Net interest income	**56,536**	**63,994**	**-7,458**	**-11.65%**

Table 13

Net interest income amounted to € 56,536 thousand, a decrease on the previous financial year for approximately € 7.5 million (-11.7%). The trend in net interest income saw an increase in net interest income from customers (+25.8%), a decrease in interest income in the finance segment (-2.5%) and an increase in net negative interbank expense, relative to ECB refinancing transactions for the TLTRO which went from € +2,468 thousand in 2022 to € -10,716 thousand at the end of 2023.

Interest income from customers, for a total of € 49,965 thousand, increased by around 74.8% due to higher interest rates receivable and higher amounts. Interest expense from customers, for € 17,072 thousand, also rose by 14.5% following interest expense growth.

Interest income in the finance segment, equal to € 34,968 thousand, fell by around € 904 thousand, impacted by the decrease in the HTCS portfolio and the reduction in the contribution coming from interest on inflation-linked BTPs, following the reduction in the inflation rate with respect to 2022.

With respect to interest rates for customers, interest rates receivable rose from an average of 2.38% the previous year to an average of 4.21% for 2023. The average rate payable for customer funding went from 0.10% to 0.84% in 2023. As a whole, the margin on rates for ordinary customers increased by 109 bps, falling from 2.28% on average at 31 December 2022 to 3.37% at 31 December 2023.

The dynamic of the spread on customer rates is shown below:

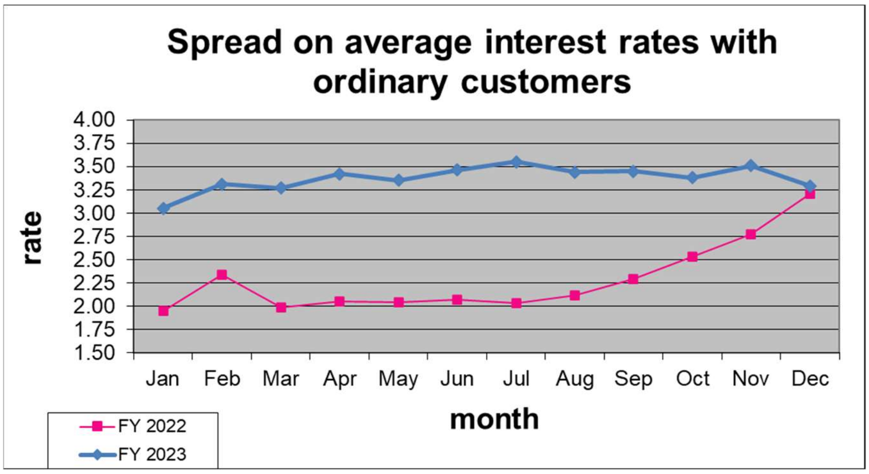

Table 14

Net operating income

Tax base	12/2023	12/2022	difference	
			amount	%
Net interest income	**56,536**	**63,994**	**-7,458**	**-11.65%**
Dividends	1,379	1,229	150	12.21%
Net fee and commission income	26,145	25,392	753	2.97%
Net trading income (expense) – HTS, HTCS and HTC portfolios	-3,506	-3,166	-340	-10.74%
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	359	-57	416	729.82%
Other operating income	5,414	4,288	1,126	26.26%
Net operating income	**86,327**	**91,680**	**-5,353**	**-5.84%**

Table 15

Net operating income amounted to € 86,326 thousand, a decrease on the previous financial year for approximately € 5.4 million (-5.84%) due to the decrease of the net interest income.

Dividends collected during the year increased slightly, going from € 1,229 thousand to the current € 1,379 thousand.

Net fee and commission income totalled € 26,145 thousand, an increase on the figure at 31 December 2022 by around 2.97%. Fee and commission income came to a total of € 28,616 thousand, with growth of around 2%. More specifically, commission income for financial instruments at 31 December 2023 came to € 5,604 thousand, around 8.5% higher than at the end of the previous year. Within the category, commissions on securities placement rose by 6.4% y/y, while commissions for order receipt and transmission and commissions for order execution rose respectively by 31.2% and 13.7%. Fee income from payment services came to € 14,846 thousand, up by 2.3% with respect to 31 December 2022. Fee income from distribution of third party services totalled € 4,719 thousand, a 7.6% decrease with respect to the end of financial year 2022. With the segment, fee income from insurance products fell by around 1.3% while fee income on other third party products fell by around 18.7%.

The net result of trading activities involving the HTC, HTCS and HTS portfolios was € -3,506 thousand at the end of the year, compared to € -3,166 thousand at 31 December 2022. Net income from the HTS portfolio was € 5.9 million (-9.4 million at 31 December 2022), while the net loss from sales of HTCS assets, carried out to repay the TLTRO debt in advance, was € -8.9 million. As reported above, at the beginning of the year securities from the HTC portfolio were sold for a nominal amount of € 37.6 million in compliance with the Financial Risk Policy. Profits realised from the transaction came to € 274 thousand. Item 100a in the statement of profit and loss also includes the loss from the NPLs sale through the securitisation transaction for € 1 million and profit from the transfer of tax credits to Banca Intesa for € 260 thousand.
To this result is added dividends for € 1.4 million (€ 1.2 million at 31 December 2022).

"Other operating income" increased by € 1,126 thousand compared to the previous financial year, to € 5,414 thousand.

Operating profit

Tax base	12/2023	12/2022	difference	
			amount	%
Net operating income	**86,327**	**91,680**	**-5,353**	**-5.84%**
Personnel expense	-26,347	-25,321	-1,026	-4.05%
Administrative expenses	-21,732	-21,178	-554	-2.62%
Amortisation and depreciation	-2,432	-2,463	31	1.26%
Operating costs	**-50,511**	**-48,962**	**-1,549**	**3.16%**
Operating profit	**35,816**	**42,718**	**-6,902**	**-16.16%**

Table 16

Operating profit closed at € 35,816 thousand, with a negative change compared to the previous financial year (16.16%). Operating costs increased by around € 1,549 thousand, mainly due to the increase in personnel expense following the update of the relevant national labour contract and, to a lesser extent, the 2.62% increase in administrative expenses.

Pre-tax profit from continuing operations

Tax base	12/2023	12/2022	difference	
			amount	%
Operating profit	**35,816**	**42,718**	**-6,902**	**-16.16%**
Net accruals to (utilisations of) provisions for risks and charges	-448	-1,430	982	68.67%
Net impairment losses on loans and receivables	-333	-3,925	3,592	91.52%
Modification gains/losses	-1,139	32	-1,171	-3666.18%
Net gains on held-to-maturity and other investments	6	2	4	200.00%
Pre-tax profit from continuing operations	**33,902**	**37,397**	**-3,495**	**-9.34%**

Table 17

Provisions for risks and charges showed net provisioning of € 448 thousand, analytically determined in line with the detailed examination of estimated risks associated with existing legal disputes and unsecured loans.

Loans and receivables with ordinary customers were measured using the methods set out in the notes to the financial statements with the usual prudent approach and in line with the bank's internal policy and led to net impairment losses for € 333 thousand. The cost of credit for 2023 was 0.11%, compared to 0.31% at the end of 2022, and included the net loss from disposal of NPLs of around € 1 million recognised under item 100 in the statement of profit and loss. At year end, the caption included specific impairment losses on NPLs for € 11,855 thousand, compared to impairment gains for € 11,838 thousand.

The pre-tax profit from continuing operations amounted to € 33,902 thousand compared to € 37,937 thousand for the previous year.

Profit for the year

Tax base	12/2023	12/2022	difference	
			amount	%
Pre-tax profit from continuing operations	**33,902**	**37,397**	**-3,495**	**-9.34%**
Income taxes	-11,471	-12,833	1,362	10.61%
Net gain	**22,431**	**24,564**	**-2,133**	**-8.68%**

Table 18

Estimated direct taxes for the year came to € 11,471 thousand compared to € 12,833 thousand for the previous financial year. Accordingly, the profit for 2023 amounted to € 22,431 thousand.

Comprehensive income

Comprehensive income for 2023 ended at € 41,712 thousand, positively impacted by the reduction in capital losses from the HTCS portfolio.
As described in the previous sections, an assessment of the HTCS portfolio showed a positive change of € 28.9 million, compared to the reporting date of 31 December 2022, in the equity valuation reserve which at 31 December 2023 came to € -25 million before tax.

	Tax base	31/12/2023	31/12/2022	change vs. 12/2022	
				amount	%
10.	**Profit for the year**	**22,431**	**24,565**	**-2,134**	**-8.69%**
	Items, net of tax, that will not be reclassified to profit or loss				
20.	Equity instruments at fair value through other comprehensive income	18	366	-348	-95.07%
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)				
40.	Hedges of equity instruments at fair value through other comprehensive income				
50.	Property, equipment and investment property				
60.	Intangible assets				
70.	Defined benefit plans	-75	1,276	-1,351	-105.88%
80.	Non-current assets held for sale and disposal groups				
90.	Share of valuation reserves of equity-accounted investees				
	Items, net of tax, that will be reclassified to profit or loss				
100.	Hedges of investments in foreign operations				
110.	Exchange gains (losses)				
120.	Cash flow hedges				
130	Hedging instruments (non-designated items)				
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	19,338	-39,581	58,918	-148.86%
150.	Non-current assets held for sale and disposal groups		-		
160.	Share of valuation reserves of equity-accounted investees				
170.	**Other comprehensive expense, net of tax**	**19,281**	**-37,939**	**58,918**	**141.25%**
180.	**Comprehensive income (expense) (captions 10 + 170)**	**41,712**	**-13,374**	**56,784**	**132.56%**

Table 19

Cash flows

The statement of cash flows has been prepared using the indirect method as allowed by IAS 7. Cash flows generated and used during the year are split between operating, investing and financing activities.

Operating activities generated cash flows of € 9,997 thousand. Within this, operations generated cash flows of € 29,084 thousand, financial asset management generated cash flow of € 322,293 thousand and financial liabilities absorbed € 341,381 thousand.
Investing activities absorbed cash flow for a total of € 1,817 thousand.
As a result, the cash generated in the year was € 5,902 thousand.

Indicators

The following table shows the main financial statements indicators compared with the previous year[2]:

Financial statements indicators	12/2023	12/2022
Capitalisation ratios:		
Equity / total assets	8.43%	6.01%
CET1 ratio	21.15%	18.45%
Tier 1 ratio	21.15%	18.45%
Total capital ratio	21.15%	18.45%
Non-current assets/Equity	8.28%	10.95%
Net NPE/Equity	7.54%	13.18%
Own funds/third-party funds	10.29%	8.06%
Risk ratios:		
Net NPE/net exposures	1.28%	1.82%
Gross NPE/gross exposures	3.57%	5.37%
Gross NPL/gross exposures	5.52%	8.10%
Net NPL/net exposures	2.26%	3.27%
Texas Ratio (net NPL/own funds)	13.64%	22.44%
Coverage ratio for performing exposures	1.20%	1.20%
Allowance for impairment/total exposures	4.49%	6.13%
Profitability ratios:		
Net interest income /total income	69.87%	73.23%
Gains from financial transactions / total income	-2.63%	-2.22%
Cost of credit (including loss on NPL sales)	0.11%	0.31%
Gross operating profit / equity	17.52%	25.43%
Profit for the year / equity (ROE)	11.11%	15.13%
ROA	0.94%	0.91%
Pre-tax profit / Total assets (ROA)	1.42%	1.39%
Tax rate	33.83%	34.32%
Net other administrative expenses/total income	26.86%	24.23%
Personnel expense / total income	32.56%	28.97%
Administrative expenses/total income	59.42%	53.21%
Cost/income	56.29%	52.75%
Fair value losses/gains on securities	59.41%	48.94%
Administrative expenses/total assets	2.01%	1.72%
Productivity - Distribution efficiency:		
Net loans and receivables with customers/employees	3,429	3,392
Direct Funding/Employees	5,668	5,808
Total income/average employees	233.513	250.052
Average employees/branches	6.188	6.132
Cost per employee	74.28	70.79
Loans and Receivables with Customers and Direct Funding/Average Employees	9,084	9,134
Loans and Receivables with Customers, Direct and Indirect Funding/Average Employees	13,871	13,267
Total assets/employees	6.920	7.781
Loans and Receivables with Customers and Direct Funding/Branches	56,208	56,007
Branch employees/employees	67.34%	67.72%

Table 20

[2] "Non-current assets" consist of the items Property, plant and equipment and Intangible assets.
"Own funds" are represented by equity, while "third-party funds" are represented by direct funding.
"Gains from financial transactions" consist of the items "Dividends" and "Net trading income (expense) - HTS, HTCS and HTC portfolios" in reclassified profit or loss.
The "cost of credit" is calculated as the ratio between the sum of the item "Net impairment losses (gains) for credit risk" in profit and loss and losses from NPLs and gross loans to customers.
"Cost/income" is calculated as the ratio between Net interest and other banking income and Operating costs in profit and loss, while "fair value gains/losses on securities" does not consider the measurement result from HTS securities.

Capitalisation ratios were very high, higher than the previous financial year[3].

The Gross NPL/Gross Exposures and Net NPL/Net Exposures indicators respectively were at 5.52% and 2.26%, showing significant improvement with respect to the previous year. The Texas Ratio improved with respect to 31 December 2022 and the Cost of Credit, at 0.11%, fell compared to the 2022 figure. As regards the value of loans and receivables used to calculate the indicators, the figure only refers to financing to customers, excluding the HTC securities portfolio component, which is included in the corresponding financial statement entry. The coverage rate of performing exposures continues to be highly significant at 1.2%.

“Cost/income”, calculated as the ratio between operating costs and net interest and other banking income is equal to 56.3%, higher than the figure at 31 December 2022, mainly due to the decrease in net interest income.

The ROE was 11.11% compared to 15.13% in the previous financial year, while the ROA reached 1.42%.

Objectives of the 2023 business plan: have they been met

On 29 March 2022, the 2022-2024 Strategic Plan was approved, prepared in line with development lines consistent with the macrodrivers supplied by the Board of Directors in terms of performance expectations (risk/return), capital adequacy (prudential ratios), and qualitative/quantitative business development. As previously indicated, in February 2023, at the time of the response letter to the Bank of Italy letter, “Communication on updated forecasts for the business and funding model, the update of numeric projections for 2023 and 2024 was carried out in advance of that initially stated in the Business Plan, confirming the strategic actions present in the Plan in question.

The quantitative objectives for 2023 compared with the actual figure are shown below:

- **Lending**, gross of impairment losses, amounted to € 1,242.3 million, lower by around 2.1% than the lending estimated for the end of 2023, amounting to € 1,269.4 million due to the significant decrease of non-performing exposures.
  In detail, performing exposures exceeded the envisaged target by around 0.8%, as did non-performing exposures, which were around 34.7% lower than the target set.
  Net of writedowns, loans and receivables with customers came to € 1,186.5 million and net performing exposures came to € 1,159.6 million (+0.8% with respect to the objective in the Plan).

GROSS EXPOSURES customers	Business Plan	Actual	Difference	
	2023	2023	Abs.	%
Performing	1,164,454	1,173,759	9,305	0.8%
Non-Performing	104,962	68,591	-36,371	-34.7%
Total gross lending	**1,269,416**	**1,242,349**	**-27,067**	**-2.1%**

NET EXPOSURES customers	Business Plan	Actual	Difference	
	2023	2023	Abs.	%
Performing	1,150,559	1,159,640	9,081	0.8%
Non-Performing	41,347	26,870	-14,477	-35.0%
Total net lending	**1,191,906**	**1,186,511**	**-5,395**	**-0.5%**

Table 21

[3] The value of 2022 indicators considered the application of temporary treatment of unrealised profit and loss at fair value through other comprehensive income, in line with article 468 of Regulation EU 575/2013, as amended by Regulation EU 202/873 of 24 June 2020 (CRR Quick-Fix) and the transitional regulations relative to the deferral of losses from first time application of IFRS 9 over 5 financial years at increasing percentages, taking into account the proposal for distribution of dividends.

- **Direct funding** is substantially in line with the forecast figure, with a negative difference of around 1.3%.

Direct Funding	Business Plan	Actual	Difference	
	2023	2023	Abs.	%
Savings deposits	91,301	80,908	-10,393	-0.8%
Current accounts	1,755,428	1,678,471	-76,957	-4.4%
Certificates of deposit	43,226	57,346	14,120	32.7%
Third party funds under administration	92,015	138,969	46,954	51.0%
Payables for lease liabilities	5,900	5,461	-439	-7.4%
Total direct funding	**1,987,870**	**1,961,155**	**-26,715**	**-1.3%**

Table 22

- **Indirect funding** amounted to € 1,658.7 million, a total of around 10.9% higher than the provisional figure. The growth in administered funds was significant, in particular for government securities which exceeded the Plan objective by around 69.6%, while managed assets and insurance policies were essentially in line with the forecast figure, at 1.5% for managed assets and -0.9% for insurance policies.

Indirect Funding and Insurance	Business Plan	Actual	Difference	
	2023	2023	Abs.	%
Government and Fixed Income Securities	229,875	389,793	159,918	69.6%
Equities	99,365	100,949	1,584	1.6%
Managed Assets	506,265	513,770	7,505	1.5%
Insurance Assets	660,005	654,198	-5,807	-0.9%
Total Indirect Funding	**1,495,511**	**1,658,710**	**163,199**	**10.9%**

Table 23

- **Profit for the year** came to € 22,431 thousand, significantly surpassing the objective set by the plan for 2023. Specifically
    1. **Net interest income** exceeded the objectives set in the Business Plan by around € 14.4 million, mainly driven by increased interest income from customers.
    2. **Net fee and commission income**, totalling € 26.1 million, was substantially in line with the objective set out by the plan (+2.9%)
    3. **Net trading income (expense)** had an overall negative result of € 3.1 million. Trading with reference to the HTCS portfolio was influenced by sales for the early repayment of the TLTRO debt, as noted above, which as a whole generated a loss of around € 8.9 million, not envisaged in the Plan. This item also includes the loss associated with the NPL securitisation of around 1 million, also not included in the forecast figures.
    4. **Personnel expense** rose slightly with respect to the objective (+2.2%) as an effect of the update of the relevant national labour contract, while **other administrative expenses** were lower than that estimated by around 3%.
    5. **Net impairment losses on loans and receivables** were less than initially expected at the time of strategic planning, mainly due to higher amounts collected on significant impaired positions.

Profit or loss	Business Plan	Actual	Difference	
	2023	2023	Abs.	%
Interest income	62,762	85,879	23,117	36.8%
Interest expense	-20,611	-29,343	-8,732	42.4%
Net interest income	**42,151**	**56,536**	**14,385**	**34.1%**
Net fee and commission income	**25,403**	**26,145**	**742**	**2.9%**
Dividends	1,000	1,379	379	37.9%
Net trading income (expense) – HTS, HTCS and HTC portfolios	1,700	-3,148	-4,848	-285.2%
Total income	**70,254**	**80,912**	**10,658**	**15.2%**
Personnel Expense	-25,780	-26,347	-566	2.2%
Other administrative expenses	-22,397	-21,732	666	-3.0%
Amortisation	-2,367	-2,432	-64	2.7%
Other operating income, net	4,878	5,414	535	11.0%
Operating profit	**24,587**	**35,815**	**11,228**	**45.7%**
Impairment/losses (gains) on loans and receivables	-7,563	-333	7,230	45.7%
Modification gains/losses	16	-1,139	-1,155	-95.6%
Net accruals provisions risks and charges	-1,450	-448	1,002	-69.1%
Net gains (losses) on sales of investments	0	6	6	0.0%
Pre-tax profit from continuing operations	**15,590**	**33,902**	**18,312**	**117.5%**
Income taxes	-5,145	-11,471	-6,326	122.9%
Profit for the year	**10,445**	**22,431**	**11,986**	**114.8%**

Table 24

- Profitability, risk and capital adequacy indicators improved with respect to that expected at the time of strategic planning.

Financial Statements Indicators	Business Plan	Actual
	2023	2023
Capital adequacy		
CET1R	17.49%	21.15%
T1R	17.49%	21.15%
TCR	17.49%	21.15%
Profitability Ratios:		
Cost-to-income Ratio	67.10%	56.29%
Pre-tax profit/Total assets (ROA)	0.61%	1.42%
Profit for the year/Equity (ROE)	6.02%	11.11%
Credit risk		
Gross NPLR	8.27%	5.52%
Net NPLR	3.47%	2.26%
Gross NPE/gross lending	5.39%	3.57%
Net NPE/net lending	3.79%	1.28%
Texas ratio		13.64%
Coverage ratio		
NPL	60.61%	60.83%
Past Due	15.00%	29.57%
Unlikely to pay exposures	51.17%	52.91%
Bad exposures	66.00%	65.71%
Performing	1.20%	1.20%

Table 25

Bank of Italy/CONSOB/ISVAP (the Italian Insurance Companies Supervisory Authority) document no. 2 of 6 February 2009

The directors state that they have assessed the bank's profitability and liquidity for a period of not less than 12 months from the reporting date based on the 2024 budget and all other available information.

With respect to the bank's liquidity, the board of directors confirms the following management guidelines:

1. ongoing alignment and monitoring of interbank credit facilities;
2. maintenance of a lending/funding ratio below the 85% identified by the Board of Directors as the prudential threshold.

With respect to corporate profits, the Board of Directors holds that the Bank has maintained adequate profit margins, as envisaged in the 2022-2024 Business Plan approved on 29 March 2022, and updated with the forecasts in the 2023-2024 Business Plan sent to the Ban of Italy on 15/02/2023 and the 2024 Budget forecast approved by the Board of Directors on 27 February 2024.

It is sufficient to consider the following:

a. The Bank has never ended a financial year with a loss, despite continued unfavourable years with respect to the external situation.
b. It has a large market share and its local ground roots have actually been strengthened by its strong reputation and efficiency characteristics that it has built up over the years.
c. Its high capitalisation and prudent approach are a solid basis for dealing with any future risks.
d. The Business Plan for 2022-2024 includes a wide-ranging programme of actions designed to improve the Bank's efficiency, with balanced growth in loans and managed assets.

It can, therefore, clearly be seen that the going concern assumption is met without having to provide any more details.

Outlook

Global political and economic uncertainty will remain high in 2024, in part due to the continued geopolitical tensions and the risk of the conflict in the Middle East spreading, as well as the results of elections in numerous countries throughout the world. The most recent Bank of Italy estimates confirm a slowdown in economic activity in 2024, GDP growing by around 0.4%. Growth is expected to accelerate in the subsequent two years (+0.8%/year on average), in part supported by a recovery in investments. Monetary policy will begin to loosen during the summer, when the initial cuts by the ECB are expected, in line with the more rapid reduction in inflation, which already in 2024 will be close to the monetary policy target level.

Still high interest rates will continue to have a negative impact on financing conditions, investments and consumption, which however were able to limit the impact thanks to savings accumulated during the pandemic. Nonetheless, especially as from 2025, an increase is expected in the investment component, driven by the NRRP, which will be available through 2026 and has been increased by € 2.9 billion following redefinition.

With a slowdown in inflation and the initial monetary policy cuts expected for the summer, the main market operators foresee a reduction in economic margins after the brilliant results seen in 2023, mainly due to the bank spread which will begin to fall in 2024. Revenues generated from commissions and fees will play a greater role in bank profit in 2025, in line with the better prospects for revenue from asset management and brokering. Credit risk is still at very low levels, but the initial signs of tensions seen in 2023 suggest a slight worsening in default rates in the coming quarters. Therefore, 2024 will be an important year for the banking sector which, after two years of extremely pleasing results, will have to identify new possibilities for development in a situation still affected by major uncertainty.

In this complex context, the Bank will once again carry out its mission to serve as a reference point, assisting the system of small and medium enterprises and households in its area, maintaining its widespread presence in its various areas and sectors of operation, to support economic growth, serving as strategic driver for the recovery.

In January 2024 the Bank received, as did all less significant banks, a request to send the updated funding plan for 2024-2025 by 15 March 2024, together with the final 2023 figures for comparison purposes. Therefore, to prepare the funding plan for 2024-2025, the Bank also prepared its 2025 budget, consistent with the strategy underlying the 2024 budget approved in February.

In line with the Business Plan and subsequent documents approved by the Board of Directors in February, the Bank intends to continue to reduce its risk profiles, keeping capitalisation levels high, maintaining the services provided to the local area in a sustainable manner while also developing ESG aspects, increasing the productivity and efficiency of the Network and management through digitalisation, while monitoring credit risk.

The non-performing exposure evaluation policy was strengthened, as was monitoring of loans in order to anticipate problems. This trend will also be maintained in the future, using the forecasts of the 2024-2026 NPL plan approved in March 2024 as a reference.

The securities portfolio is expected to decrease, in line with repayments of the TLTRO loan and risk splitting will continue through diversification, mainly through management mandates which work with various instruments other than Italian government securities.

The increase in operating efficiency with a focus on cost containment will continue to be a strategic element for the Bank, although a slight increase in administrative expense is expected in the next year, due to inflation, investments in new projects for IT security, ESG aspects and maintenance of real estate. Personnel expense is expected to increase following the changes made to the national labour contract.

The commercial strategy will be focused on a growth in lending and managed funds through the expansion of the catalogue of new products and services offered for individuals and companies, the development of monetics and the activation and reinforcement of new digital channels for customer contact.

Reorganisation and improvement of the commercial network distribution model will continue in 2024, in line with the Business Plan, and the new Ancona branch should open by the end of the first half.

Conclusions

To wind up this report, I would like to firstly thank all our customers who continue to choose Cassa di Risparmio di Fermo S.p.A. as their bank in what definitely has not been an easy year, and who are confident that the bank has been able to repay such a choice with its top quality services.

The bank's activities are those set out by the Fondazione Cassa di Risparmio di Fermo which are its reference point and guiding light. The expert assistance of the shareholder Intesa Sanpaolo provided continuously to our staff improving their approach and professional standing contributes great added value.

We thank the general manager, the executive committee and the board of directors for their expert assistance and guidance provided to the bank in this period of significant legislative discontinuities and a difficult economic situation.

The precious assistance provided by the entire board of statutory auditors is also worthy of mention.

We would also like to especially thank all the bank's employees for their profound commitment to embrace change professionally and with a sense of belonging in an extraordinarily complex year.

Finally, we would like to express our gratitude to the supervisory authorities and, especially, the Bologna branch manager, Pietro Raffa, and the Ancona branch manager, Maurizio Cannistraro, for their availability as well as all the personnel at those two branches for their assistance.

for the board of directors
The Chair

Fermo, 26 March 2024

BALANCE SHEET: ASSETS

	Assets	12/2023	12/2022
10.	Cash and cash equivalents	38,489,270	32,587,735
20.	Financial assets measured at fair value through profit or loss	179,045,164	181,782,713
	a) financial assets held for trading;	*176,237,803*	*178,593,783*
	c) other financial assets mandatorily measured at fair value	*2,807,361*	*3,188,930*
30.	Financial assets measured at fair value through other comprehensive income	605,665,973	904,965,945
40.	Financial assets measured at amortised cost	1,488,802,220	1,484,481,319
	a) loans to banks	*12,881,802*	*17,665,243*
	b) loans to customers	*1,475,920,418*	*1,466,816,076*
80.	Property, Plant and Equipment	16,538,912	17,633,001
90.	Intangible assets	164,251	149,509
100.	Tax assets	22,568,365	33,392,496
	a) current	*4,468,218*	*3,235,788*
	b) deferred	*18,100,147*	*30,156,708*
120	Other assets	43,049,420	44,864,189
	Total assets	**2,394,323,575**	**2,699,856,907**

BALANCE SHEET: LIABILITIES

	Liabilities and equity	12/2023	12/2022
10.	Financial liabilities measured at amortised cost	2,136,210,509	2,477,123,292
	a) due to banks	*175,055,383*	*461,797,053*
	b) due to customers	*1,903,810,512*	*1,977,738,842*
	c) securities issued	*57,344,614*	*37,587,397*
20.	Financial liabilities held for trading	338,811	460,946
60.	Tax liabilities	1,330,261	*7,913,937*
	a) current	*67,060*	*6,648,822*
	b) deferred	*1,263,201*	*1,265,115*
80.	Other liabilities	39,874,330	37,118,525
90.	Employee termination indemnities	4,710,396	5,194,890
100.	*Provisions for risks and charges:*	*10,043,591*	*9,662,325*
	a) loan commitments and financial guarantees given	*624,852*	*199,013*
	b) pension and similar obligations	*5,027,306*	*5,094,396*
	c) other provisions	*4,391,433*	*4,368,916*
110.	Valuation reserves	- 3,138,238	- 22,419,101
140.	Reserves	108,621,688	86,335,779
150.	Share premium reserves	34,660,068	34,660,068
160.	Share capital	39,241,087	39,241,087
180.	Profit for the year	22,431,072	24,565,159
	Total liabilities and shareholders' equity	**2,394,323,575**	**2,699,856,907**

INCOME STATEMENT

	Tax base	12/2023	12/2022
10.	Interest and similar income	85,879,231	68,129,076
	including: interest calculated using the effective interest method	*83,530,325*	*66,453,130*
20.	Interest and similar expense	- 29,343,247	- 4,135,141
30.	**Net interest income**	**56,535,984**	**63,993,935**
40.	Fee and commission income	28,616,850	28,046,469
50.	Fee and commission expense	- 2,471,775	- 2,654,654
60.	**Net fee and commission income**	**26,145,075**	**25,391,815**
70.	Dividends and similar income	1,379,012	1,229,113
80.	Net income from trading activities	5,899,075	- 9,382,466
100.	Gains (Losses) on disposal or repurchase of:	- 9,405,329	6,216,949
	a) financial assets at amortised cost	*- 474,075*	*411,133*
	b) financial assets at fair value through other comprehensive income	*- 8,931,254*	*5,805,816*
	c) financial liabilities	*-*	*-*
110.	Net loss on other financial assets and liabilities at fair value through profit or loss	358,375	- 56,545
	a) financial assets and liabilities designated at fair value	*-*	*-*
	b) other financial assets mandatorily measured at fair value	*358,375*	*- 56,545*
120.	**Net interest and other banking income**	**80,912,192**	**87,392,801**
130.	Net impairment losses for credit risk associated with:	- 333,118	- 3,924,819
	a) financial assets at amortised cost	*- 307,278*	*- 3,808,498*
	b) financial assets at fair value through other comprehensive income	*- 25,840*	*- 116,321*
140.	Gains (Losses) from contractual modifications without derecognition	*- 1,138,647*	*31,929*
150.	**Net financial income**	**79,440,427**	**83,499,911**
160.	Administrative expenses:	- 48,078,740	- 46,498,289
	a) personnel expense	*- 26,346,799*	*- 25,320,501*
	b) other administrative expenses	*- 21,731,941*	*- 21,177,788*
170.	Net accruals to provisions for risks and charges	- 448,356	- 1,429,996
	a) loan commitments and financial guarantees given	*- 425,839*	*- 88,367*
	b) other	*- 22,517*	*- 1,341,629*
180.	Net adjustments to property, plant and equipment	- 2,323,977	- 2,386,517
190.	Net adjustments to intangible assets	- 107,721	- 76,879
200.	Other operating expense/income	5,413,513	4,288,091
210.	**Operating costs**	**- 45,545,281**	**- 46,103,590**
250.	Gains (losses) on disposal of investments	6,428	2,136
260.	**Profit (Loss) from current operations before tax**	**33,901,574**	**37,398,457**
270.	Income taxes	- 11,470,502	- 12,833,298
280.	**Profit (Loss) from current operations after tax**	**22,431,072**	**24,565,159**
300.	**Profit for the year**	**22,431,072**	**24,565,159**

STATEMENT OF COMPREHENSIVE INCOME

	Tax base	12/2023	12/2022
10.	**Profit for the year**	**22,431,072**	**24,565,159**
	Items, net of tax, that will not be reclassified to profit or loss:		
20.	Equity instruments measured at fair value through other comprehensive income	18,025	365,570
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	- 75,065	1,275,976
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
	Items, net of tax, that will be reclassified to profit or loss:		
100.	Hedges of investments in foreign operations	-	-
110.	Exchange gains (losses)	-	-
120.	Cash flow hedges	-	-
130	Hedging instruments (non-designated items)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	19,337,903	- 39,580,555
150.	Non-current assets held for sale and disposal groups	-	-
160.	Share of valuation reserves of equity-accounted investees	-	-
170.	**Other comprehensive expense, net of tax**	**19,280,863**	**- 37,939,009**
180.	**Comprehensive income (expense) (captions 10 + 170)**	**41,711,935**	**- 13,373,850**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31/12/2023

	Balance at 31/12/2022	Change to opening balances	Balnce at 01/01/2023	Allocation of prior year profit		Changes for the year								Equity at 31/12/2023
						Changes in reserves	Equity transactions						Comprehensive income to the year at 31/12/2023	
				Reserves	Dividends and other allocations		Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**39,241,087**	**-**	**39,241,087**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,241,087**
a) ordinary shares	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	**34,660,068**	**-**	**34,660,068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,660,068**
Reserves:	**86,335,779**	**-**	**86,335,779**	**22,285,909**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**108,621,688**
a) income-related	93,471,236	-	93,471,236	22,285,909	-	-	-	-	-	-	-	-	-	115,757,145
b) other	- 7,135,457	-	- 7,135,457	-	-	-	-	-	-	-	-	-	-	- 7,135,457
Valuation reserves:	**- 22,419,101**	**-**	**- 22,419,101**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,280,863**	**- 3,138,238**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**24,565,159**	**-**	**24,565,159**	**-22,285,909**	**- 2,279,250**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,431,072**	**22,431,072**
Shareholders' Equity	**162,382,992**	**-**	**162,382,992**	**-**	**- 2,279,250**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,711,935**	**201,815,677**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31/12/2022

	Balance at 31/12/2021	Change to opening balances	Balance at 01/01/2021	Allocation of prior year profit		Changes for the year								Equity at 31/12/2022
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of own shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	Comprehensive income to the tear at 31/12/2022	
Share capital:	**39,241,087**	**-**	**39,241,087**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,241,087**
a) ordinary shares	39,241,087	-	39,241,087	-	-	-	-	-	-	-	-	-	-	39,241,087
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	**34,660,068**	**-**	**34,660,068**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,660,068**
Reserves:	**77,390,615**	**-**	**77,390,615**	**8,945,164**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**86,335,779**
a) income-related	84,526,072	-	84,526,072	8,945,164	-	-	-	-	-	-	-	-	-	93,471,236
b) other	- 7,135,457	-	- 7,135,457	-	-	-	-	-	-	-	-	-	-	- 7,135,457
Valuation reserves:	**15,519,908**	**-**	**15,519,908**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**- 37,939,009**	**- 22,419,101**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	**15,023,164**	**-**	**15,023,164**	**- 8,945,164**	**- 6,078,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,565,159**	**24,565,159**
Shareholders' Equity	**181,834,842**	**-**	**181,834,842**	**-**	**- 6,078,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**- 13,373,850**	**162,382,992**

STATEMENT OF CASH FLOWS: indirect method

A. OPERATING ACTIVITIES	Amount	
	12/2023	**12/2022**
1. Operations	**29,084,713**	**29,431,273**
- profit for the year	22,431,072	24,565,159
- net gains/losses on financial assets held for trading and other financial assets/liabilities at fair value through other comprehensive income (-/+)	- 4,217,163	5,963,171
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses (gains) for credit risk (+/-)	- 1,237,807	5,755,465
- net adjustments to property, plant and equipment and to intangible assets (+/-)	2,613,032	2,667,611
- net provisions for risks and charges and other costs/revenue (+/-)	- 1,218,714	- 4,512,700
- unpaid taxes and duties (+/-)	11,470,502	12,833,298
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax (+/-)	-	-
- other adjustments (+/-)	- 756,209	- 17,840,731
2. Cash flows generated by/used for financial assets	**322,293,293**	**- 150,880,020**
- financial assets held for trading	8,995,265	- 74,013,108
- financial assets designated at fair value	-	-
- other assets mandatorily measured at fair value	739,944	249,190
- financial assets at fair value through other comprehensive income	315,359,764	- 27,722,140
- financial assets at amortised cost	547,633	- 42,768,436
- other assets	- 3,349,313	- 6,625,526
3. Cash flows generated by financial liabilities	**- 341,380,679**	**- 195,196,360**
- financial liabilities at amortised cost	- 346,276,219	- 171,962,949
- financial liabilities held for trading	- 122,135	380,916
- financial liabilities designated at fair value	-	-
- other liabilities	5,017,675	- 23,614,327
Net cash flows generated by/used in operating activities	**9,997,327**	**- 316,645,107**
B. INVESTING ACTIVITIES		
1. Cash generated by	**25,078**	**2,626**
- sales of equity investments	-	-
- dividends from equity investments	-	-
- sales of property, equipment and investment property	25,078	2,626
- sales of intangible assets	-	-
- sales of business units	-	-
2. Cash flows used to acquire	**- 1,841,620**	**- 908,684**
- equity investments	-	-
- property, equipment and investment property	- 1,719,156	- 813,719
- intangible assets	- 122,464	- 94,965
- business units	-	-
Net cash flows used in investing activities	**- 1,816,542**	**- 906,058**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend and other distributions	- 2,279,250	- 6,078,000
Net cash flows used in financing activities	**- 2,279,250**	**- 6,078,000**
NET CASH FLOWS FOR THE YEAR	**5,901,535**	**- 323,629,165**

Key: (+) generated; (-) used

Reconciliation:

FINANCIAL STATEMENT ITEMS	Amount	
	12/2023	12/2022
Opening cash and cash equivalents	32,587,735	356,216,900
Net cash flows for the year	5,901,535	- 323,629,165
Cash and cash equivalents: exchange gains (losses)	-	-
Closing cash and cash equivalents	38,489,270	32,587,735

EXPLANATORY NOTES

PART A
Accounting policies

A.1 – GENERAL PART

Section 1 – Statement of compliance with the IFRS

The financial statements of Cassa di Risparmio di Fermo S.p.A. as at 31 December 2023 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission with EC regulation 1606 of 19 July 2002 and applied in Italy with article 1 of Legislative decree no. 38 of 28 February 2005. The instructions issued by Bank of Italy in its Circular no. 262 of 22 December 2005 - 8th update of 17 November 2022 have also been considered.

The bank also referred to the Framework for application of the IFRS.

The criteria used to prepare the Financial Statements with reference to the classification, recognition, measurement and derecognition of financial assets and liabilities, as well as the methods used to recognise costs and revenues, are consistent with those adopted to prepare the Bank's 2022 Financial Statements and the eight update to Bank of Italy Circular 262/2005.

When preparing the financial statements, the board of directors made reference to and considered the applicability of the following sources, set out below in decreasing order of importance:

- the guidance and instructions set out in the standards and interpretations for similar or related cases;
- the definitions and recognition and measurement requirements for assets, liabilities, revenue and costs provided in the Framework.

The board of directors may also refer to the most recently issued measures of other accounting standard setters that use a framework similar to that of the IFRS to develop such standards, other accounting reference documentation and consolidated practices.

IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM 1 JANUARY 2023

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

- On 18 May 2017, the IASB published IFRS 17 – Insurance Contracts, which is intended to replace IFRS 4 – Insurance Contracts. This standard was applied starting on 1 January 2023. The objective of the new standard is to guarantee that an entity provides relevant information that offers a faithful representation of the rights and obligations deriving from the insurance contracts issued. The IASB developed the standard to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take into account all types of insurance contracts, including the reinsurance contracts held by an insurer. The new standard also envisages the presentation and disclosure requirements to improve comparability between the sector's entities. The new standard measures an insurance contract on the basis of a general model or a simplified version of it, entitled the "premium allocation approach" (PAA). The main characteristics of the general model include:
    - the estimates and assumptions of future cash flows are always current;
    - the measurement reflects the time value of money;
    - the estimates envisage an extensive use of observable market information;
    - a current and explicit risk assessment exists;
    - the expected profit is deferred and aggregated into groups of insurance contracts during initial recognition; and

- the expected profit is reported in the contract coverage period taking account of the adjustments deriving from differences in the cash flow assumptions for each group of contracts.

The PAA envisages the measurement of liabilities for the residual coverage of a group of insurance contracts provided that, during initial recognition, the entity ensures that these liabilities reasonably represent an approximation of the general model. The contracts with a coverage period of one year or less are automatically suitable for the PAA. The simplifications deriving from application of the PAA do not apply to the valuation of the liabilities for existing claims, which are measured with the general model. Nevertheless, it is not necessary to discount those cash flows if it is expected that the balance is to be paid or collected within one year from the date of the claim. Moreover, on 9 December 2021 the IASB published an amendment entitled "Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information". The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment was applied as from 1 January 2023, together with IFRS 17, to avoid temporary accounting mismatches between financial assets and liabilities from insurance contracts and to improve the usefulness of comparative information for users of financial statements. The adoption of the standard and relative amendment had no effect on the Bank's financial statements.

- On 7 May 2021 the IASB published an amendment entitled "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 a number of operations that might generate assets and liabilities of the same amount must be recognised, such as leases and decommissioning obligations. The amendments were applied starting on 1 January 2023. The adoption of this amendment had no effect on the bank's financial statements.

- On 12 February 2021 the IASB published two amendments entitled "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8". The changes were aimed at improving the disclosure of accounting policies so as to provide more useful information to investors and other primary users of the financial statements and to help companies to distinguish between changes in accounting estimates and changes in accounting policies. The amendments were applied starting on 1 January 2023. The adoption of this amendment had no effect on the bank's financial statements.

- On 23 May 2023 the IASB published an amendment entitled "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules". The document introduced a temporary exception to recognition and disclosure requirements for deferred tax assets and liabilities relative to the Pillar Two Model Rules (for which the norm is in effect in Italy as from 31 December 2023, but applicable as from 1 January 2024) and establishes specific disclosure requirements for entities impacted by the relative international tax reform.
  The document calls for immediate application of the temporary exception, while the disclosure requirements apply only to financial statements for years beginning on or after 1 January 2023, but not to interim financial reports with a reporting date prior to 31 December 2023.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION AT 31 DECEMBER 2023, NOT YET MANDATORILY APPLICABLE AND NOT YET ADOPTED BY THE BANK AT 31 DECEMBER 2023

The following IFRS standards, amendments and interpretations have been endorsed by the European Union but are not yet obligatorily applicable and have not been adopted in advance by the Bank as at 31 December 2023.

- On 23 January 2020 the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on 31 October 2022 published an amendment titled, "Amendments to IAS

1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”. These changes aim to explain how to classify debts and other short- or long-term liabilities. Additionally, the amendments improve the information that entities must supply when the right to defer payment of a liability for at least twelve months is subject to compliance with certain parameters (i.e. covenants). The changes will enter into force on 1 January 2024; however, early application is permitted. The directors do not expect a significant effect on the bank’s financial statements from adopting these amendments.

- On 22 September 2022 the IASB published an amendment entitled “Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”. The document requires the seller/lessee to measure the liability for leases associated with a sale and leaseback transaction so as to not recognise either profit or loss relative to the right of use retained. The changes will apply from 1 January 2024, but early application is permitted. The directors do not expect a significant effect on the bank’s financial statements from adopting these amendments.

- On 23 May 2023 the IASB published an amendment entitled “Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules". The document introduced a temporary exception to recognition and disclosure requirements for deferred tax assets and liabilities relative to the Pillar Two Model Rules and establishes specific disclosure requirements for entities impacted by the relative international tax reform. The document calls for immediate application of the temporary exception, while the disclosure requirements apply only to financial statements for years beginning on or after 1 January 2023, but not to interim financial reports with a reporting date prior to 31 December 2023. The Directors do not consider this amendment to be applicable.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AS AT 31 DECEMBER 2023

At the reporting date, the EU competent bodies have not yet concluded the approval process required for the adoption of the amendments and standards described below.

- On 25 May 2023 the IASB published an amendment entitled “Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements”. The document requires entities to provide additional information on reverse factoring agreements that allow readers of financial statements to assess how financial agreements with suppliers may influence the liabilities and cashflows of the entity and understand the effect of the same agreements on the entity’s exposure to liquidity risk. The changes will apply from 1 January 2024, but early application is permitted. The directors do not expect a significant effect on the bank’s financial statements from adopting these amendments.

- On 15 August 2023 the IASB published an amendment entitled “Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability”. The document requires entities to apply a methodology in a consistent manner to determine whether a currency can be converted to another and, when this is not possible, how to determine what exchange rate to use and the disclosure to provide in the Notes. The changes will apply from 1 January 2025, but early application is permitted. The directors do not expect a significant effect on the bank’s financial statements from adopting these amendments.

- On 30 January 2014, the IASB published IFRS 14 – Regulatory Deferral Accounts, which permits a first-time adopter of the IFRS to continue to recognise the amounts related to the rate regulation activities according to the previously adopted accounting standards. As the bank is not a first-time adopter, this standard is not applicable.

Section 2 – Basis of presentation

The financial statements at 31/12/2023 are clearly stated and give a true and fair view of the bank's financial position, financial performance and cash flows for the year.

The basis of presentation for the budgetary accounts is shown below:

- measurements are carried out with the assumption of going concern (please see that indicated in the section "Bank of Italy/CONSOB/ISVAP (the Italian Insurance Companies Supervisory Authority) document no. 2 of 6 February 2009" in the Directors' Report);
- the accruals basis of accounting: costs and revenue are recognised on an accruals basis;
- materiality and aggregation: each material class of similar items is presented separately in the balance sheet and the income statement. Items of a dissimilar nature or function are presented separately unless they are immaterial;
- if an element of the assets or liabilities falls under several entries of the balance sheet, its reference to the entries other than the entry in which it is recognised is annotated in the notes where necessary for comprehension of the financial statements;
- offsetting: assets and liabilities, income and expenses are not offset, unless expressly required or permitted by a standard or an interpretation or the above-mentioned Bank of Italy Circular no. 262 of 22 December 2005 and subsequent amendments;
- the budgetary accounts are prepared according to substance over form;
- comparative information: comparative information in respect of the previous year is disclosed for all amounts reported in the current year's financial statements.

Pursuant to article 5 of Legislative decree no. 38 of 28 February 2005, the financial statements have been prepared using the euro as the reporting currency. In particular, they were prepared in euros.

Section 3 – Events after the reporting date

After the reporting date of 31 December 2023 and until 26 March 2024, the date on which the financial statements were approved by the Board of Directors, no events occurred that required an adjustment to the results of the data approved.

Section 4 - Other aspects

Use of estimates and assumptions to prepare the financial statements

The preparation of the financial statements requires recourse to estimates and assumptions, which may have an effect on the values recognised in the balance sheet, the income statement and the reporting related to potential assets and liabilities. The preparation of these estimates involves the use of available information and the adoption of subjective valuations, also based on historical experience, used for the purposes of formulating reasonable assumptions for reporting management-related issues. By nature, the estimates and assumptions used may vary from period to period and, therefore, the current values recorded in the financial statements may differ in subsequent periods, even significantly, following changes in the subjective valuations used.

The main cases for which the use of subjective valuations by company management is required include:

- the quantification of losses due to impairment of exposures and, in general, of financial assets not at fair value;
- the calculation of the fair value using measurement models for financial instruments not listed on an active market;
- the quantification of the provisions for personnel and provisions for risks and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

With particular reference to the carrying amount of the accounting entries at fair value and the loans and receivables with customers, both performing and non-performing, the estimates and related assumptions used for the purpose of preparing the financial reports could be subject to change as a result of new information that becomes available, with reference to the general and sectorial macroeconomic situation, still impacted by significant uncertainties caused by geopolitical tensions (the continued war between Russia and Ukraine and the new conflict in the Middle East) and the macroeconomic situation still affected by high interest rates on the market.

The description of the accounting policies applied to the main financial statement items provides the details necessary to identify the main assumptions and valuations used in the preparation of these financial statements.

Management performs analyses, which are sometimes complex, of loans and receivables with customers for their classification and to identify exposures that show possible impairment after disbursement based on internal information based on the borrower's repayment trend and external information based on the reference sector and the borrower's total exposure to banks.

Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, estimates about the borrowers' ability to repay, an assessment of any guarantees and the impact of macroeconomic variables and risks of the sectors in which the bank's customers operate, with respect to the accounting standards and the credit policy approved by the board of directors on 22 December 2023. The approval of the update to this policy did not lead to any significant impacts for the Bank in the annual financial statements.

Risks, uncertainties and impacts of the Russia/Ukraine war, conflict in the Middle East and the macroeconomic situation

The general and sector macroeconomic framework, still affected by significant uncertainty caused by the external factors cited above, continues to require that banks govern the impacts of this situation on the credit risk and related financial statement measurements. In this regard, in 2023 the bank continued to monitor the situation, with dedicated analyses aimed at identifying the best way to intervene on the credit risk measurement and forecast systems, aligning them with changes detected from time to time and avoiding excessive pro-cyclicality in the definition of collective provisions, as recommended by the regulators (especially ESMA and ECB).

In order to limit the effects associated with the estimated economic recovery, a number of "top-down" corrections were applied, including the "expert" assignment of the probability of occurrence of the macroeconomic scenarios considered by the model ("multiscenario") for ECL, in particular with reference to the adverse scenario.

Finally, we provide the accounting treatment of tax credits introduced with decrees 18/2020 "Cure Italy" and 34/2020 "Relaunch" and the TLTRO-III refinancing operations.

Purchase Of Tax Credits

The credits introduced with decrees n.18/2020 "Cura Italia" and no. 34/2020 "Rilancio" purchased following transfer by the direct beneficiaries or previous buyers refer to tax incentive measures related both to investment spending and current expenses. These tax incentives, applicable to families or companies, are commensurate with a percentage of the expenses incurred and are paid in the form of tax credits or tax deductions. The main characteristics of the tax credits introduced by the Decrees are:

> the possibility of use in offsetting over a limited period of time;

> the ability to transfer to third-party buyers;

> the non-reimbursability by the tax authorities.

The specific characteristics of the tax credits are such that they do not fall within the scope of application of any IAS/IFRS. In this case, therefore, paragraph 10 of IAS 8 applies, which requires the definition of an accounting policy that can provide adequate disclosure in the financial statements. On 5 January 2021, the supervisory authorities (the Bank of Italy, CONSOB and IVASS) published the “Bank of Italy/CONSOB/IVASS Document no. 9 - Round table on application of IAS/IFRS” with regard to the accounting treatment of the aforementioned credits. This document examines which accounting standards and possible accounting treatments could be applicable and the related information to be provided in the periodic reports. Taking account of the guidelines provided by the supervisory authorities, the bank considered that an accounting model based on IFRS9 would represent the most suitable approach to provide reliable information.

Initial recognition

The tax credit is initially recognised at fair value, corresponding to the price of the operation, including the initial costs directly attributable to the operation. The effective interest rate is calculated by estimating the expected cash flows, taking account of all the due dates related to the tax credit.

Subsequent recognition

After the initial recognition, for the purposes of the subsequent measurement, the following was taken into consideration:

> the time value of money;

> the use of an effective interest rate;

> the flows of use of the tax credit through offsetting.

The effective interest rate used, therefore, was the one determined originally so that the discounted cash flows associated with the expected future offsetting estimated along the envisaged duration of the tax credit were equal to the purchase price. It was therefore necessary to estimate the expected offsetting by taking account of all due dates related to the tax credit, including the fact that the unused tax credit in each period of compensation would be lost. The income determined with the effective interest rate will be recognised in “Interest and similar income”. The same caption contains the gains/(losses) determined by the revision of the estimates on expected cash flows, with the exception of those deriving from the non-use of the tax credits purchased, which will be recognised in “Other operating income, net”.

Additionally, in the context of measurement at amortised cost, not identifying counterparty credit risk given that the instrument is realised solely through offsetting of payables and not by collecting amounts from the counterparty, the IFRS 9 Expected Credit Loss rules do not apply.

In the event of transfer to third parties, the difference between the price collected and the residual amortised cost at the transfer date will be recognised in “Net gain from sales or repurchases of:

a) financial assets at amortised cost”.

Representation in the financial statements

With reference to the representation, taking account of the fact that the tax credits purchased do not represent, pursuant to international accounting standards, tax assets, public contributions, intangible assets or financial assets, it was considered that the most appropriate classification, for the purposes of presentation in the financial statements, was the residual classification of “Other assets” of the balance sheet in line with the provisions of IAS 1.

Accounting treatment of targeted longer-term refinancing operations - TLTRO-III

As required by the ESMA with public statement on 6 January 2021, information should also be provided about the recognition methods of the third series of targeted longer-term refinancing operations (TLTRO-III) launched by the European Central Bank each quarter, starting September 2019. The interest rate for each operation is fixed at a level equal to the average rate of the main refinancing operations of the Eurosystem (MRO), with the exception of the period between 24 June 2020 and 23 June 2022 (the special interest rate period), when a rate below 50 basis points was applied for banks which granted net qualified loans above a given value (benchmark net lending), benefiting in this way from a reduction in the interest rate. Specifically, given that the Bank was able to exceed the benchmark net lending target, the rate applied was equal to the average rate on deposits with the central bank (Deposit Facility), for the entire duration of the respective operation, with the exception of the special interest rate period, to which an additional reduction of 50 basis points was added (and in any case no higher than -1%). Interest rates are regulated in arrears at the maturity of each TLTRO-III operation or at the time of early repayment. Finally, on 27 October 2022 the ECB Governing Council decided to adopt monetary policy measures intended to support a timely return to the ECB's medium-term inflation goal of 2%. In the context of these measures, the Governing Council established that, as of 23 November 2022 and until the maturity date or early repayment date for each existing operation, the interest rate applied to each existing operation would be indexed to the ECB's average reference interest rates applicable to the period in question.

The characteristics of the TLTRO-III operations do not allow for them to be immediately associated with specific cases covered by IAS/IFRS; it is possible to draw an analogy with "IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance" or "IFRS 9 – Financial Instruments". The bank's decision for the purposes of accounting for the operations in question was to refer to the indications of IFRS 9, considering that the funding conditions to which banks have access through the TLTROs promoted by the ECB are under market conditions. In fact, in our opinion, the ECB rates can be considered "market rates" since it is the ECB itself that establishes their level, balancing said level against the lending objectives to be achieved (monetary policy operations). Furthermore, it is within the power of the ECB to modify the TLTRO-III interest rate at any time. This power of modification held by the ECB is therefore associated with the indications of para. B5 4.5 of IFRS 9 (floating-rate financial liabilities), determining a modification to the Internal Rate of Return (IRR) of the financing in order to reflect variations in the benchmark rate.

With reference to recognition of the interest component, the Bank decided to apply, on a case by case basis, the rate indicated in communications with the Eurosystem (i.e. until 22 November 2022 the interest rate on deposits with the Central Bank as the average figure starting with settlement of the auction and, in particular, a rate of -1% having exceeded the net lending benchmark during the established "special interest rate period"; from 23 November 2022 on, the interest rate for deposits with the Central Bank as the average figure from that date until the date on which the operation was repaid).

Extraordinary tax on the increase in the Bank's net interest income

Article 26 of Italian Decree Law 104 of 10 August 2023 (Decree Law 104/2023), converted with Italian Law 136 of 9 October 2023, introduced a one time extraordinary tax for banks pursuant to article 1 of Legislative Decree 385/1993, calculated on the increase in net interest income, to be paid by the sixth month following the end of the financial year prior to that in progress at 1 January 2024. This extraordinary tax was determined by applying a 40% rate to the taxable base consisting of the net interest income amount found in item 30 of the profit and loss statement prepared in line with the schedules approved by the Bank of Italy for the financial year prior to that in progress at 1 January 2024, exceeding by at least 10% the same amount in the financial year prior to that in progress at 1 January 2022. Pursuant to paragraph 3 of the cited article 26, the amount of this tax cannot, in any case, exceed 0.26% of the total individual risk weighted asset exposure, determined pursuant to paragraphs 3 and 4 of article 92 in Regulation EU 575/2013, with reference to the reporting date for the financial year prior to that in progress at 1 January 2023.

Also note that paragraph 5-bis, introduced to article 26 at the time the Decree was converted, grants banks the ability, in place of paying the tax, to establish a non-distributable reserve in an amount of no less than two and a half times the extraordinary reserve, at the time the financial statements relative to the year prior to that in progress at 1 January 2024 are approved.

Consistent with the regulations, when the 2023 financial statements were approved, on 26 March 2024, the Bank's Board of Directors resolved to propose to the Shareholders' Meeting called to approve the 2023 draft financial statements that a portion of the 2023 profit, equal to € 6.048 million, be destined to a non-distributable equity reserve, corresponding to 2.5 times the amount of the tax, equal to € 2.419 million. Only in the case this reserve is distributed to shareholders would the Bank be required to pay the extraordinary tax pursuant to the cited article 26, plus an amount equal to the annual interest rate on deposits held with the European Central Bank.

A2 – MAIN CAPTIONS

1 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

a) Recognition
Debt and equity instruments are initially recognised at their settlement date while derivative contracts are recognised at the date they are signed.

Financial assets held for trading are initially recognised at fair value, which usually equals the consideration paid, without considering transaction costs or revenue, which are recognised in profit or loss.

b) Classification
Financial assets at fair value through profit or loss include debt and equity instruments acquired to make profits, including through their trading, which meet the requirements of the bank's business model.

Hedging derivatives with positive fair values are included in this caption, including those embedded in financial instruments that meet the conditions for separation of the underlying derivatives.

c) Measurement
Financial assets held for trading are measured at fair value following initial recognition. Changes in fair value are taken to profit or loss.

The fair value of financial instruments listed on active markets equals the reporting date market closing prices.

The fair value of financial instruments traded on inactive markets is determined using commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models, prices registered in recent similar transactions, considering the different risk profiles of the instruments.

A market is defined as inactive when there are significant differences in the bid/ask prices of the instrument in question.

Credit valuation adjustment (CVA) and debit valuation adjustment (DVA)
Current legislation confirms that the pricing of a derivative, in addition to depending on market factors, must also include the measurement of the counterparty's credit quality determined through the credit valuation adjustment (CVA) and debit valuation adjustment (DVA).
To measure the counterparty's credit quality, the bank adopts the following methodology.
Credit valuation adjustment (CVA) is the value adjustment of the credit component (using positions with a positive fair value) of an OTC derivative stipulated with an external counterparty, which constitutes the market value of the potential loss due to the difference in the market prices on the derivative in question, due to the worsening of the credit rating/default of the counterparty.

Conversely, debit valuation adjustment (DVA) is the value adjustment of the debit component (using positions with a negative fair value) of an OTC derivative stipulated with an external counterparty, i.e. the market value of the potential earning due to the difference in the market prices on the derivative in question caused by the worsening of the credit rating/default of the bank.

When determining the CVA/DVA, under certain conditions the IFRS 13 refers to a calculation valuation that must be made for a netting set or counterparty, therefore on the basis of the carrying amount and not at individual contract level. In addition, the presence of any exchanged collateral or netting agreements must be considered.
The bank currently avails of bilateral netting agreements for derivative contracts, on the basis of which the mutual credit and debit positions of the mark to market are offset automatically and daily by establishing a single net balance, without novation: this then results in the sole payment of net income by the borrower. This activity permits a notable reduction in the exposure to credit risk and, consequently, in the impact of the CVA/DVA on the fair value.

d) Derecognition
These financial assets are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Recognition of costs and revenue
Interest and dividends are recognised under "Interest and similar income" and "Dividends and similar income", respectively. Trading income or expense and gains or losses on the sale of financial assets are recognised under "Net trading income (expense)".

2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

a) Recognition
Financial assets managed under the hold to collect and sell (HTCS) model are initially recognised at the settlement date (debt and equity instruments) or at the disbursement date (loans and financing). They are initially recognised at fair value, which usually equals cost, including any transaction costs or revenue.

b) Classification
This category, based on the business model, includes the non-derivative financial assets that passed the SPPI test. The objective of the business model is achieved by both collecting contractual cash flows and carrying out sales regulated by the powers attributed by the financial regulations and justified to the finance committee based on the market outlook.

This caption includes equity for equity investments held for purposes other than trading, for which at the time of initial recognition, the option was irrevocably exercised to recognise the fair value gains (losses) in the comprehensive income statement following the initial recognition in the financial statements.

c) Measurement
These financial assets are subsequently measured at fair value with any fair value gains or losses being recognised in a specific equity reserve.

The fair value of financial instruments listed on active markets equals the reporting date market closing prices.

The fair value of financial instruments not traded on an active market is determined based on the price of instruments with similar characteristics or the present value of future cash flows, considering the different risk profiles inherent in the instruments, or based on the actual prices for trades of the same asset.

A market is defined as inactive when there are significant differences in the bid/ask prices of the instrument in question.

When fair value cannot be determined reliably, equity instruments are carried at cost.

The value of the held to collect and sell debt instruments is also subject to collective impairment.

Impairment losses are recognised in profit or loss with a balancing entry in a special equity reserve.

When the reasons for impairment no longer exist, an impairment gain is recognised, with a balancing entry in:
- equity for equity instruments;
- profit or loss for debt instruments.

d) Derecognition
These financial assets are derecognised when the contractual rights to cash flows therefrom expire or the financial asset is sold, transferring substantially all the related risks and rewards.

e) Recognition of costs and revenue
Interest, calculated using the effective interest method, and dividends are recognised under "interest and similar income" and "dividends and similar income" respectively. Trading income or expense are recognised in the "gain (loss) on sale or repurchase of financial assets at fair value

through comprehensive income". Gains and losses on the fair value measurement of HTCS financial assets are recognised in the "valuation reserves" under equity and reclassified to profit or loss when sold, except for those on equities, which are reversed to a specific "profit/loss reserve" under equity.

Impairment losses/gains arising from impairment testing, limited to debt instruments, are recognised as "Net impairment losses/gains on financial assets at fair value through other comprehensive income".

3 – FINANCIAL ASSETS MEASURED AT AMORTISED COST

LOANS TO CUSTOMERS AND BANKS

a) Recognition

Loans and receivables are initially recognised at the disbursement date or, in the case of a debt instrument, at the settlement date, based on the financial instrument's fair value, which usually equals the amount disbursed, or the subscription price, including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently.

The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs. Reverse repurchase agreements and repurchase agreements are recognised as lending or funding transactions.

Specifically, spot resale and forward repurchase agreements are recognised as a liability for the spot amount received while spot repurchase and forward resale agreements are recognised as an asset for the spot amount paid.

b) Classification

Under the bank's HTS business model and SPPI test, this category includes the non-derivative loans and debt instruments with banks and customers, both disbursed directly and purchased from third parties, with fixed or determinable repayments.

This caption includes trade receivables, reverse repurchase agreements, finance lease receivables and securities purchased as part of underwriting or private placement transactions with fixed or determinable repayments, listed on an active market. Following the 7th update of Bank of Italy circular 262, "Banks' financial statements: layouts and preparation", all on demand loans and receivables with banks and central banks in deposits and current accounts are recognised in caption 10 "Cash and cash equivalents", therefore, caption 40 "Assets at amortised cost" includes the loans and receivables with banks and central banks other than those payable "on demand".

c) Measurement

When managed under a business model whose objective is to collect the contractual cash flows at maturity and if they passed the SPPI test, loans and receivables are measured at amortised cost. Sales of assets of debt instruments classified in the HTC portfolio may be carried out when:
- there is an increase in the credit risk of a financial asset;
- the maturity of the financial instrument is short term, so the proceeds from their sales approximate their residual cash flows;
- the frequency of sale, corresponding to the turnover rate of the HTCS portfolio observed in the period, is rare;
- the aggregated amount of the sales made on the portfolio is not considered significant.

After initial recognition, loans and receivables and debt instruments are measured at amortised cost, that is, they are measured at initial recognition minus/plus principal repayments, impairment losses/reversals of impairment losses and cumulative amortisation, using the effective interest method. The effective interest rate is the date that exactly discounts estimated future payments over the expected life of the loan or receivable to the carrying amount at the time of initial recognition, including directly attributable transaction costs and amounts paid or received between the contracting parties. The economic effect is distributed financially over the residual life of the exposure.

The amortised cost method is not used for short-term loans (with maturities of less than 12 months) as discounting these loans has no material impact. They are measured at historical cost.

Loans without a specified maturity and revocable loans are treated similarly.

Loans and receivables and debt instruments are tested for impairment at least at each annual or half yearly reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition or a worsening in the debtors' solvency.

The Stage 3 non-performing exposures include bad exposures, unlikely to pay exposures and exposures past due by more than 90 days. The stage 3 exposures are classified where applicable by considering the multi-scenario value of the non-performing financial assets. On the basis of the information set out in the ITG "Inclusion of cash flows expected from the sale on default of loan" by IFRS Foundation staff and in the "Guidance to banks on non-performing loans (NPL)" published by the European Central Bank in March 2017 for the proactive management of non-performing exposures, the bank has included forward-looking factors in the valuation of non-performing assets (classified in particular as bad exposures) through recovery provisions developed from a multi-scenario perspective. Therefore, where applicable, stage 3 exposures are measured by weighing the estimated realisation value in the two possible scenarios, i.e. the "sale" value (for the 2023 annual financial statements the Bank did not utilise this scenario in its collection measurements) and the "internal recovery" value. In the latter measurement, the estimate of the expected cash flows is the result of an analytical "spot" valuation of the position for the bad, unlikely to pay and past due exposures exceeding ceilings established by internal legislation. For NPE, unlikely to pay and past due exposures below the ceilings established by internal legislation, the expected loss is determined using analytical collective impairment methods. The impairment loss is equal to the difference between their carrying amount at the measurement date (amortised cost) and the present value of the recoverable cash flows, calculated using the effective interest rate. Estimated future cash flows are determined considering the estimated recovery time and the estimated realisable amount of any guarantees. The original effective interest rate of each exposure is unchanged over time. The recovery time is reasonably estimated considering general or specific factors. General factors include the estimated recovery time considering the nature of the transaction while specific factors include the estimate of future cash flows considering negotiations for an out-of-court settlement or ongoing debt rescheduling plans. The bank monitors the difference between the originally planned recovery time and the effective cash flows to best estimate the expected recovery times.

Exposures and debt instruments for which objective indicators of impairment are not identified, i.e., performing, are managed under the HTC business model if they pass the SPPI test and are measured at amortised cost.
IFRS 9 requires that in-scope financial instruments be classified into three stages. The three stages reflect the impairment level of the debtor's credit quality:

• Stage 1: financial instruments whose credit risk has not significantly increased since initial recognition or with a low credit risk at the reporting date;

• Stage 2: financial instruments whose credit risk has increased significantly since initial recognition, but for which there is no objective evidence of impairment;

• Stage 3: financial assets with objective evidence of impairment at the reporting date (NPE).

For more details on the Bank's classification rules, please see paragraph 2.3 Measurement of expected credit losses, in Section 1 - Credit Risk of Part E.

Additionally, IFRS 9 introduced a revision to methods for determining value adjustments (ECL) for performing exposures utilising risk factors (PD and LGD) not only at 12 months (stage 1) but also lifetime (stage 2), when credit risk worsens. Therefore, any change in expected loss, credit risk and forecasts of future conditions may provoke a change in the collective valuation of performing exposures.

Impairment losses are recognised in profit or loss.

The loss attributable to discounting cash flows of stage 3 non-performing exposures is released on an accruals basis using the effective interest method and recognised as interest income.

The debt instruments recognised in the HTC portfolio are also subject to collective impairment.

Collectively-determined impairment losses are recognised in profit or loss.

Any additional impairment losses or gains are recalculated at each reporting date using a different approach considering the entire performing exposure portfolio at that date.

When the reasons for impairment are no longer valid, the impairment loss is reversed.

d) Derecognition
Loans and receivables and debt instruments transferred are derecognised when substantially all the risks and rewards of ownership of the asset are transferred.

Conversely, if the risks and rewards associated with the asset are retained, the loan or receivable continues to be recognised to the extent of the bank's continuing involvement in the asset, even though legal title has been transferred.

When it is not possible to verify the substantial transfer of the risks and rewards, the assets are derecognised when no control thereover is retained. If even a portion of control is retained, the asset continues to be recognised in line with the bank's continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, transferred loans and receivables are derecognised when the bank retains the contractual rights to receive the related cash flows with the concurrent obligation to pay them to a third party.

e) Recognition of costs and revenue
Interest on exposures and debt instruments is recognised under "Interest and similar income". Impairment losses and gains are recognised under "Net impairment losses/gains on loans and receivables – a) financial assets at amortised cost".

Gains or losses on sales are shown under "Gain (loss) on sales or repurchases of financial assets at amortised cost".

4 – HEDGING DERIVATIVES
The bank has not undertaken hedging transactions.

5 – EQUITY INVESTMENTS
At the reporting date, the bank did not have investments in subsidiaries or associates.

6 – PROPERTY, PLANT AND EQUIPMENT

a) Recognition
Property, equipment and investment property are initially recognised at cost, including directly related charges.

Subsequent maintenance expenditure is capitalised if it leads to an increase in the future economic benefits generated by the asset.

Borrowing costs are recognised in accordance with IAS 23 and are, therefore, recognised as a cost in the year in which they are incurred.

Recognition of the rights of use of lease/rental contracts as required by IFRS16.

b) Classification
Property, equipment and investment property include land, owned buildings and investment property, furniture, fittings, technical systems, rights of use of leased or rented assets defined by IFRS16 and other assets held for use in production or to supply goods and services, for lease to third parties or for administrative purposes which will be used over more than one period.

Buildings and appurtenance land are recognised separately when purchased.

c) Measurement
Property and equipment are measured at cost net of accumulated depreciation and any impairment losses.

They are depreciated systematically over their useful lives on a straight-line basis, except for land which has an indefinite useful life and is not depreciable. Should the carrying amount of land be included in that of the related building, they are separated using an appraisal performed by sector experts.

These assets are tested for impairment when there is objective indication thereof.

The rights of use of the leased/rented assets are subject to amortisation according to the provisions of IFRS 16 based on the duration of the contract.

d) Derecognition
An asset is derecognised when divested or when it is no longer used and its disposal is not expected to generate future risks or benefits.

The rights of use of leased/rented assets are derecognised upon maturity or termination of the contract.

e) Recognition of costs and revenue
Periodic depreciation and impairment of property, equipment used for operations are recognised under "net impairment losses on property, equipment and investment property".

7 – INTANGIBLE ASSETS

a) Classification
Intangible assets include long-term software licences.

b) Recognition and measurement
Intangible assets are recognised at cost, including directly related charges only when it is probable that the future economic benefits of the asset will materialise and its cost can be determined reliably.

Annually, or whenever there is evidence of impairment, an impairment test is carried out.

Impairment losses are recognised in profit or loss.

The cost of assets with finite lives is amortised on a straight-line basis over their useful lives.

c) Derecognition
Intangible assets are derecognised upon their disposal or when no future benefits are expected therefrom.

d) Recognition of costs and revenue
Accumulated amortisation is recognised under "Amortisation and net impairment losses on intangible assets". Impairment losses on goodwill and intangible assets with indefinite useful lives are taken to "Impairment losses on goodwill" and "Amortisation and net impairment losses on intangible assets", respectively.

8 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS

The bank does not have non-current assets classified as held for sale.

9 – CURRENT AND DEFERRED TAXES

a) Classification
Current tax assets and liabilities consist of tax advances paid and income taxes on the tax base for the year, respectively.

Deferred tax assets and liabilities originate on the temporary differences between the carrying amounts of assets and liabilities and their tax bases.

b) Recognition and measurement
Current and deferred taxes, calculated in accordance with the Italian tax legislation, are recognised on an accruals basis, in line with the costs and revenue generating them and using enacted tax rates. Income taxes are recognised in profit or loss except for those related to captions recognised directly in equity.

Income taxes are provided for based on a prudent estimate of the current and deferred taxes.

Current taxes are the net of current tax liabilities and current tax assets, being the advances and tax withholdings paid.

Deferred taxes are determined considering the temporary differences (without time limits) between the carrying amount of assets and liabilities and their tax bases.

The estimate of recoverability is made by performing a probability test, as set out by IAS 12. This test is based on an economic prediction developed across a future period of 3 years, adjusting its pre-tax profit to consider temporary and permanent future differences in accordance with the tax regulations in force at the valuation date, so as to give an estimate of the future tax results capable of determining the recovery of deferred tax assets.

Following enactment of Law no. 214/2011, governing the recognition of deferred tax assets, a round table was held during which Bank of Italy, CONSOB and ISVAP discussed the issue in the light of the IFRS. On 15 May 2012, they published a document stating that, due to the above-mentioned law, the probability test is automatically passed, as the recoverability of deferred tax assets is now certain in any circumstances. Accordingly, they are recognised in the financial statements.

Deferred tax liabilities include income taxes payable in future periods for temporary taxable differences.

Deferred tax assets and liabilities are recognised in the balance sheet without offsetting.

c) Recognition of costs and revenue
Current and deferred taxes are recognised under “Current and deferred tax assets” and “Current and deferred tax liabilities” respectively.

They are recognised in equity if they relate to transactions recognised directly in equity.

10 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

LIABILITIES AND SECURITIES ISSUED

a) Recognition
These financial liabilities are recognised when the amounts are received or the debt instruments are issued.

They are initially recognised at fair value, which is normally equal to the consideration received or the issue price, plus or minus any additional costs or revenue directly attributable to the individual transaction and not reimbursed to the creditor. The fair value of financial liabilities issued at other than market conditions is estimated and the difference compared to the consideration received is recognised directly in profit or loss, when the conditions of IFRS9 are met.

b) Classification
Due to banks, due to customers and securities issued include the characteristic types of interbank and customer funding as well as lending through certificates of deposit and bonds issued net of any repurchases.

c) Measurement
After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Conversely, current financial liabilities continue to be measured at the consideration received as the effect of the amortised cost measurement would be negligible.

d) Derecognition
Financial liabilities are derecognised when they expire or are extinguished. They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price, with no effect on profit or loss.

e) Recognition of costs and revenue
Interest is recognised under “Interest and similar expense”. Gains and losses on the repurchase of the liabilities are shown under “Gain (loss) from sales/repurchases of financial liabilities”.

11 – FINANCIAL LIABILITIES HELD FOR TRADING

a) Recognition
Financial liabilities held for trading are initially recognised at the settlement date while derivatives are recognised at their agreement date.

They are initially recognised at fair value, which usually equals the consideration received, without considering directly related transaction costs and revenue.

b) Classification
The category includes financial liabilities held for trading. It also includes embedded derivatives with a negative fair value.

c) Measurement
Financial liabilities held for trading are subsequently measured at fair value through profit or loss.

Market prices are used to determine the fair value of financial instruments listed on active markets. If an active market does not exist, commonly adopted estimation/valuation models that take into account market data such as methods based on the measurement of listed instruments with similar characteristics, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions are used.

d) Derecognition
Financial liabilities held for trading are derecognised when they expire, are extinguished or all the related risks and rewards are transferred to third parties.

e) Recognition of costs and revenue
Fair value gains and losses are recognised in “Net trading income (expense)”.

12 – FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The bank has not undertaken this type of transaction.

13 – FOREIGN CURRENCY TRANSACTIONS

a) Recognition and derecognition
Foreign currency transactions are initially recognised in Euros by applying the exchange rate prevailing at the transaction date.

b) Classification and measurement
Foreign currency assets and liabilities are translated into Euros at each reporting date using the following criteria:

- ✓ monetary items are translated using the closing rates;
- ✓ non-monetary items measured at historical cost are translated using the transaction-date exchange rates;
- ✓ non-monetary items measured at fair value are translated using the closing rates.

c) Measurement of costs and revenue
Exchange differences arising from the settlement of monetary items or from the translation at exchange rates other than the initial translation rate or the prior closing rate are recognised in profit or loss in the period in which they arise.

When the gain or loss on a non-monetary item is recognised in equity, the exchange gain or loss is also taken to equity. However, when the gain or loss is recognised in profit or loss, the related exchange gain or loss is recognised there too.

All exchange gains and losses are recognised under “Net trading income (expense)”.

14 – OTHER INFORMATION

14.1 – PROVISIONS FOR RISKS AND CHARGES

a) Recognition and derecognition

b) Classification

c) Measurement

loan commitments and financial guarantees given
The fund includes the risk assessment of the guarantees and the commitments to disburse performing exposures. The measurement criterion is the one established for performing exposures. For stage 3 endorsement credits, the measurement is analytical.

Pension and similar provisions
They include the supplementary pension fund organised by INPS (the Italian social security institution).

The fund, which technically is a defined benefit plan, includes accruals to guarantee pensioners with the related vested rights a supplementary pension, determined on an objective and realistic forward-looking basis, equal to the "mathematical reserve" calculated by an external actuary. It is recognised in accordance with IAS 19 as amended by the IASB in 2011, which eliminated the corridor approach and requires the immediate recognition of any actuarial gains or losses in equity (OCI).

Other provisions
Other provisions include provisions made when the following concurrent conditions are met:
a) the bank has a present legal or constructive obligation as a result of a past event;
b) it is probable that an outflow of resources will be necessary to settle the obligation;
c) the obligation can be determined reliably.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation or transfer it to third parties at the closing date.

The types of events that could require provisions are:
a) ongoing legal disputes;
b) risks for ongoing claw-back claims;
c) certain or probable obligations arising from contractual commitments or an executive ruling which is not yet final.

When the effect of the time value of money is material, the provisions are discounted using the spot market rates at the closing date.

d) Recognition of costs and revenue
Accruals to these provisions are recognised in "Net accruals to provisions for risks and charges" while those for post-employment benefits are recognised under "Personnel expense".

14.2. – Post-employment benefits
a) Recognition
b) Classification
c) Measurement
d) Derecognition
Post-employment benefits are recognised at their actuarial value.

This value is determined using the procedure for defined benefit plans and the projected unit credit method, whereby future payments are projected using historical series analyses and demographical trends and discounted using a market rate.

Accruals are recognised under "Personnel expense" and include the Italian Civil Code revaluation and interest expense on the increase in present value due to the time value of money. The actuarial gains or losses are calculated in accordance with IAS 19, as amended by the IASB in 2011, which eliminated the corridor approach and their full recognition in profit or loss, requiring their recognition in other comprehensive income (OCI), hence directly in an equity reserve without affecting profit or loss.

e) Recognition of costs and revenue
Actuarial gains and losses are recognised as other comprehensive income, in a specific equity reserve.

14.3 – Treasury shares

The bank did not have any treasury shares in its portfolio at the reporting date.

14.4 – Dividends and revenue recognition

In accordance with IFRS 15, revenue is recognised when the contractual obligation to transfer a promised good or service is met. Transfer is considered to be completed when the customer obtains control of the good or service. This may take place in two ways:

1) over time, or
2) at a point in time.

Specifically, dividends are recognised in profit or loss when the right to receive their payment arises.

Income from the trading or issue of financial instruments, being the difference between the transaction price and the instrument's fair value, is recognised in profit or loss when the transaction is recognised if the fair value can be determined using parameters or recent transactions on the same market as that on which the instrument is traded; if not, they are deferred and recognised over the instrument's term considering its nature.

Income from financial instruments that cannot be measured using the above methods is taken to profit and loss over the transaction's term.

A.3 – TRANSFERS BETWEEN FINANCIAL ASSET PORTFOLIOS

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

The bank has not reclassified any financial assets.

A.3.2. Reclassified financial assets: change in business model, fair value and impact on OCI

The bank did not reclassify its financial assets as a result of a change in its business model.

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

The bank did not reclassify its financial assets as a result of a change in its business model.

A.4 - FAIR VALUE

Qualitative disclosure

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the principal market at the measurement date.

The fair value of a financial liability with a demand feature (e.g., a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The fair value of financial instruments quoted on active markets is calculated using the official prices of the principal market. A financial instrument is considered to be quoted on an active market if the quoted prices are promptly and regularly available in a price list, from an operator, broker, etc. and these prices represent effective market transactions that take place regularly in normal conditions.

A.4.1 Fair value levels 2 and 3: valuation techniques and inputs used

If an active market that can give the price of a financial instrument does not exist, the bank determines fair value using the following methods:

- ***Market approach***: the bank uses prices generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities.
- ***Discounted cash flow***: the bank estimates future cash flows expected or generated by the financial instrument which it discounts using risk free rates to which it adds the credit spread requested by the market for instruments with similar risk profiles.
  Fair value equals the sum of the discounted cash flows.
  The credit spread for performing exposures with customers is calculated considering expected losses.
  The fair value of credit-impaired exposures is their carrying amount.
- ***Similar transactions***: the fair value of equity instruments for which market prices or market prices for identical or similar assets are not available is based on recent transactions or the unrestricted trade of the same instrument.
  If there are no recent transactions by third parties, the bank uses the transaction performed to acquire the financial instrument to calculate its fair value.

Financial products are classified as level 2 when fair value is determined by using observable inputs on an active market. They are classified as level 3 when market sources do not provide a market price and the bank applies valuation techniques used on the market and applied to its assets.

Financial instruments not measured at fair value, including loans and receivables with customers and banks, are not managed on the basis of the fair value. For these instruments, the fair value is only calculated to comply with the disclosure requirements of IFRS 13 and does not affect the financial statements or profit or loss. As these instruments are not traded, determination of their fair value is based on internal parameters not directly observable on the market as defined by IFRS 13.

The fair value of debt instruments issued by the bank and recognised at amortised cost is determined using the effective interest method.

A.4.2 Measurement processes and sensitivity

The bank has measured investments in unlisted entities, classified in the HTCS portfolio and for which observable prices in an active market do not exist, as fair value level 3. The carrying amount was determined using the prices of the most recent transactions performed. The bank performed a sensitivity analysis for these assets, assuming a variation of -10%/+10% in equity. The following table shows the possible variations:

Investee	Equity	Investment %	Share of equity	10% decrease in equity	10% increase in equity	Carrying amount at 31/12/2023
Bancomat S.p.A.	29,933,498	0.1000%	29,933	26,940	32,927	21,945
CBI S.c.p.a.	8,676,080	0.3284%	28,494	25,645	31,343	3,022
CARICESE S.r.l.	21,252,742	0.5000%	106,264	95,637	116,890	20,000
ConfidiCoop Marche	27,620,361	1.5000%	414,305	372,875	455,736	100,000
CSE Consorzio Servizi Bancari S.r.l.	98,695,361	5.0000%	4,934,768	4,441,291	5,428,245	6,250,000
Fermano Leader s.c.a.r.l	49,143	1.5000%	737	663	811	3,000
S.W.I.F.T. - Brussels	664,092,000	0.0004%	2,440	2,196	2,684	2,529
TOTAL	**850,319,185**		**5,516,941**	**4,965,247**	**6,068,636**	**6,400,496**

The above table shows that the fair value of the equity investments listed above (shown in the financial statements) is consistent with the inputs used for the sensitivity analysis.

A.4.3 Fair value hierarchy

IFRS 13 establishes a fair value hierarchy depending on the observability of the valuation technique inputs adopted. There are three levels:

1. Level 1: the fair value of instruments classified in this level is based on quoted prices in active markets;
2. Level 2: the fair value of instruments classified in this level is based on valuation models that use inputs that are observable on inactive/active markets for the asset or liability;
3. Level 3: the fair value of instruments classified in this level is based on valuation models used on the market and applicable to the bank’s assets.

A.4.4. Other disclosures

The bank has not undertaken transactions that would require disclosure as per IFRS 13.51/93(i)/96.

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	12/2023			12/2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	171,553	7,492	-	172,390	9,393	-
a) financial assets held for trading	*171,553*	*4,685*	-	*172,390*	*6,204*	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	*2,807*	-	-	*3,189*	-
2. Financial assets at fair value through other comprehensive income	584,265	15,000	6,400	883,565	15,000	6,400
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**755,818**	**22,492**	**6,400**	**1,055,955**	**24,393**	**6,400**
1. Financial liabilities held for trading	7	331	-	37	424	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**7**	**331**	**-**	**37**	**424**	**-**

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

Financial assets classified as at fair value through OCI in the L1 column of the A.4.5.1 table refer to:

- debt instruments traded on organised markets;

- the bank's listed equity instruments.

Financial assets classified as trading in the L2 column of the A.4.5.1 table refer to debt instruments traded on inactive markets and measured using the criteria set out in Part A, section 2 of these notes.

Financial assets classified in the portfolio obligatorily measured at fair value indicated in schedule A.4.5.1 in column L2 refer to units of the Efesto Fund (AIF), acquired after the sale of loans classified as UTP, for which fair value was determined based on the most recently available NAV, discounted to take liquidity risk into account, as well as remaining Mezzanine and Junior securities following the multioriginator securitisation transaction for NPEs, known as Luzzatti POPNPLs 2023, following the sale of 95% of the same.

Financial assets classified at fair value through OCI in the L2 column of schedule A.4.5.1 refer to equity instruments in Bank of Italy, for which the fair value can be objectively determined.

Financial assets classified as at fair value through OCI in table A.4.5.1 of the L3 column refer to unlisted equity investments and investments in companies limited by quotas (S.r.l.) acquired by the bank over the last few years with carrying amounts equal to the average prices struck for the last few acquisitions. If this information is not available, they are measured at cost.

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

	Financial assets at fair value through profit or loss				Financial assets at fair value through OCI	Hedging derivatives	Property, equipment and investment property	Intangible assets
	Total	Including: a) financial assets held for trading	Including: b) financial assets designated at fair value	Including: c) other financial assets mandatorily measured at fair value				
1. Opening balance	-	-	-	-	6,400	-	-	-
2. Increases	-	-	-	-	-	-	-	-
2.1. Purchases	-	-	-	-	-	-	-	-
2.2. Gains recognised in:	-	-	-	-	-	-	-	-
2.2.1. Profit or loss	-	-	-	-	-	-	-	-
- including: gains on sales	-	-	-	-	-	-	-	-
2.2.2. Equity					-	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1. Sales	-	-	-	-	-	-	-	-
3.2. Repayments	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	-	-	-	-	-	-	-	-
3.3.1. Profit or loss	-	-	-	-	-	-	-	-
- including: losses on sales	-	-	-	-	-	-	-	-
3.3.2. Equity					-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	6,400	-	-	-

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

The table has not been inserted since there is no instance of this case.

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 level

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/2023				12/2022			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets at amortised cost	1,488,802	248,211	9,359	1,256,226	1,484,481	239,054	7,561	1,218,053
2. Investment property	507	-	-	507	524	-	-	524
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
TOTAL	**1,489,309**	**248,211**	**9,359**	**1,256,733**	**1,485,005**	**239,054**	**7,561**	**1,218,577**
1. Financial liabilities at amortised cost	2,136,211	-	-	2,141,195	2,477,123	-	-	2,466,300
2. Liabilities associated with disposal groups	-	-	-	-	-	-	-	-
TOTAL	**2,136,211**	-	-	**2,141,195**	**2,477,123**	-	-	**2,466,300**

PART B
Notes to the balance sheet

ASSETS

Section 1 – Cash and cash equivalents – Caption 10

1.1 Cash and cash equivalents: breakdown

Tax base / Amount	12/2023	12/2022
a) Cash	25,113	24,997
b) Current accounts and on-demand deposits with central banks	-	-
c) Current accounts and deposits with banks	13,377	7,591
Total	**38,490**	**32,588**

Section 2 – Financial assets measured at fair value through profit or loss – Caption 20

2.1 Financial assets held for trading: breakdown by product

Tax base / Amount	12/2023			12/2022		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	158,002	390	-	165,320	413	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*158,002*	*390*	-	*165,320*	*413*	-
2. Equity instruments	10,895	-	-	4,385	-	-
3. OEIC units	2,595	3,470	-	2,222	3,234	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**171,492**	**3,860**	**-**	**171,927**	**3,647**	**-**
B. Derivatives						
1. Financial derivatives:	60	825	-	463	2,557	-
1.1 for trading	*60*	*825*	-	*463*	*2,557*	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 for trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**60**	**825**	**-**	**463**	**2,557**	**-**
Total (A + B)	**171,552**	**4,685**	**-**	**172,390**	**6,204**	**-**

The amount shown in the "Level 2" column for item "1.2 Other debt instruments" relates to the securities purchased by the bank and issued by the Porto Sant'Elpidio municipality for € 390 thousand.
The amount indicated in column L2 of Item "3. OEIC units" refers to units of funds acquired as part of the management appointment granted to Epsilon Sgr and Eurizon Sgr.

2.2 Financial assets held for trading: breakdown by debtor/issuer

Tax base / Amount	12/2023	12/2022
A. ASSETS		
1. Debt instruments	**158,392**	**165,733**
a) Central banks	-	-
b) Public administrations	89,194	90,720
c) Banks	43,002	37,031
d) Other financial companies	19,901	26,674
including: insurance companies	-	-
e) Non-financial companies	6,295	11,308
2. Equity instruments	**10,895**	**4,385**
a) Banks	191	61
b) Other financial companies	1,686	612
including: insurance companies	*166*	*28*
c) Non-financial companies	9,018	3,712
d) Other issuers	-	-
3. OEIC units	6,065	5,456
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
including: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total A	**175,352**	**175,574**
B. DERIVATIVES		
a) Central counterparties	38	463
b) Other	848	2,557
Total B	**886**	**3,020**
Total (A + B)	**176,238**	**178,594**

The derivatives set out in point B include:

- *interest rate swaps;*
- *cap options;*
- *futures;*
- *currency forwards.*

The bank has agreed a mirroring derivative with leading national banks to hedge each IRS agreed with its customers. This led to the substantial overlapping of the fair value of the derivatives.

The futures and forwards relate to the assets managed by Epsilon SGR. They are listed and their fair value is based on their market prices at the reporting date. Futures are settled daily and, hence, the related changes in the margin account made by the clearing house are recognised in profit or loss.

2.5. Other financial assets mandatorily measured at fair value: breakdown by product

Tax base / Amount	12/2023			12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	-	8	-	-	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	-	8	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. OEIC units	-	2,800	-	-	3,189	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	-	2,808	-	-	3,189	-

The amount found under point 2 refers to the remaining Mezzanine and Junior securities deriving from the multioriginator securitisation transaction for NPLs, known as Luzzatti POPNPLs 2023, following the sale of 95% of the same, for which the carrying amount at 31 December 2023 was € 8 thousand.

The amount shown in item “3” expresses the value of the shares of Fondo Efesto acquired following the sale of UTP exposures. The initial value of the shares was € 4,205 thousand and partial per share reimbursements through 31 December 2023 come to € 1,173 thousand. The Bank measures the units of the Fund in respect of the most recently available NAV. A 15% impairment percentage is applied to this amount, calculated collectively, to take the liquidity risk of the Fund into account (liquidity discount). Measurement of the Efesto Fund at 31 December 2023 led to capital gains of € 358 thousand, recognised in the statement of profit and loss.

2.6 Other financial assets mandatorily measured at fair value: breakdown by debtor/issuer

Tax base / Amount	12/2023	12/2022
1. Equity instruments	**-**	**-**
including: banks	-	-
including: other financial companies	-	-
including non-financial companies	-	-
2. Debt instruments	**8**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	8	-
including: insurance companies	-	-
e) Non-financial companies	-	-
3. OEIC units	**2,800**	**3,189**
4. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
including: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**2,808**	**3,189**

Section 3 – Financial assets measured at fair value through other comprehensive income - Caption 30

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by product

Tax base / Amount	12/2023			12/2022		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	583,483	-	-	882,808	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other debt instruments	*583,483*	-	-	*882,808*	-	-
2. Equity instruments	783	15,000	6,400	758	15,000	6,400
3. Financing	-	-	-	-	-	-
Total	**584,266**	**15,000**	**6,400**	**883,566**	**15,000**	**6,400**

Financial assets at fair value through other comprehensive income:

1. in the L1 column refer to:
    a. debt instruments traded on regulated active markets;
    b. listed equity instruments;
    c. other listed investments.

2. in column L2, they refer to the value of Bank of Italy equity shares in which the fair value is determined objectively;
3. in the L3 column refer to equity instruments measured based on recent transactions. If this information is not available, they are measured at cost.
4.

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

Tax base / Amount	12/2023	12/2022
1. Debt instruments	**583,483**	**882,807**
a) Central banks	-	-
b) Public administrations	582,058	881,491
c) Banks	-	-
d) Other financial companies	-	-
including: insurance companies	-	-
e) Non-financial companies	1,425	1,316
2. Equity instruments	**22,184**	**22,159**
a) Banks	15,107	15,084
b) Other issuers:	7,077	7,075
- other financial companies	*798*	*796*
including: insurance companies	-	-
- non-financial companies	*6,279*	*6,279*
- other	-	-
3. Financing	**-**	**-**
a) Central banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
including: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**605,667**	**904,966**

3.3 Financial assets measured at fair value through other comprehensive income: gross amount and total impairment losses

Tax base / Amount	Gross amount					Total impairment losses				Partial/total write-offs
	Stage 1		Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
		including: instruments with a low credit risk								
Debt instruments	583,626	-	-	-	-	144	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-
Total (31/12/2023)	**583,626**	**-**	**-**	**-**	**-**	**144**	**-**	**-**	**-**	**-**
Total (31/12/2022)	**882,987**	**-**	**-**	**-**	**-**	**179**	**-**	**-**	**-**	**-**

Section 4 – Financial assets measured at amortised cost - Caption 40

4.1 Financial assets measured at amortised cost: loans to banks broken down by product

Transaction/Amount	12/2023						12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables with central banks	**12,868**	**-**	**-**	**-**	**-**	**12,868**	**17,658**	**-**	**-**	**-**	**-**	**17,658**
1. Term deposits	-	-	-				-	-	-			
2. Minimum reserve	12,868	-	-				17,658	-	-			
3. Reverse repurchase agreements	-	-	-				-	-	-			
4. Other	-	-	-				-	-	-			
B.Loans and receivables with banks	**14**	**-**	**-**	**-**	**-**	**14**	**8**	**-**	**-**	**-**	**-**	**8**
1. Financing	14	-	-				8	-	-			
1.1 Current accounts	-	-	-				-	-	-			
1.2. Term deposits	-	-	-				-	-	-			
1.3. Other financing	14	-	-				8	-	-			
- Reverse repurchase agreements	-	-	-				-	-	-			
- Financing for leases	-	-	-				-	-	-			
- Other	*14*	-	-				*8*	-	-			
2. Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
Total	**12,882**	**-**	**-**	**-**	**-**	**12,882**	**17,666**	**-**	**-**	**-**	**-**	**17,666**

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

Transaction/Amount	12/2023						12/2022					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
Financing	**1,159,640**	**26,869**	**-**	**-**	**-**	**1,243,344**	**1,138,549**	**38,535**	**-**	**-**	**-**	**1,200,388**
1.1. Current accounts	99,840	4,476	-				107,132	10,372	-			
1.2. Reverse repurchase agreements	-	-	-				-	-	-			
1.3. Loans	891,744	17,925	-				875,997	23,083	-			
1.4. Credit cards, personal loans and salary-backed loans	48,397	538	-				46,309	497	-			
1.5. Financing for leases	-	-	-				-	-	-			
1.6. Factoring	-	-	-				-	-	-			
1.7. Other financing	119,659	3,930	-				109,111	4,583	-			
Debt instruments	**289,410**	**-**	**-**	**247,217**	**9,345**	**-**	**289,732**	**-**	**-**	**239,054**	**7,561**	**-**
1.1. Structured instruments	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other debt instruments	289,410	-	-	247,217	9,345	-	289,732	-	-	239,054	7,561	-
Total	**1,449,050**	**26,869**	**-**	**247,217**	**9,345**	**1,243,344**	**1,428,281**	**38,535**	**-**	**239,054**	**7,561**	**1,200,388**

Item "1.7. Other financing" of table 4.2 includes the following:

- import/export advances of € 11,895 thousand;

- advances on bills under reserve and invoices of € 91,529 thousand;

- portfolio risks of € 523 thousand;

- subsidies with or without repayment plans of € 15,899 thousand;

- loans and receivables with garnishee administration for salary-backed loans for € 277 thousand;

- advances in favour of treasury entities managed for € 25 thousand.

Point "1.2 Other debt securities" includes the coupon instalment which adjusted the amortised cost accrued at the end of the year, equal to € 171 thousand.

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

Transaction/Amount	12/2023			12/2022		
	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired	Stages 1 and 2	Stage 3	Purchased or originated credit-impaired
1. Debt instruments	**289,410**	**-**	**-**	**289,731**	**-**	**-**
a) Public administrations	275,090	-	-	277,250	-	-
b) Other financial companies	14,320	-	-	12,481	-	-
including: insurance companies	-	-	-	-	-	-
c) Non-financial companies	-	-	-	-	-	-
2. Financing with:	**1,159,641**	**26,870**	**-**	**1,138,549**	**38,535**	**-**
a) Public administrations	135,692	-	-	89,256	47	-
b) Other financial companies	33,998	39	-	27,358	42	-
including: insurance companies	-	-	-	-	-	-
c) Non-financial companies	626,287	16,960	-	635,124	26,098	-
d) Households	363,664	9,871	-	386,811	12,348	-
Total	**1,449,051**	**26,870**	**-**	**1,428,280**	**38,535**	**-**

Item "1. Debt instruments" of the above table shows the securities classified in the HTC portfolio in line with the bank's business model, the market value of which is € 256,562 thousand.

4.4 Financial assets measured at amortised cost: gross amount and total impairment losses

Tax base / Amount	Gross amount					Total impairment losses				Partial/total write-offs
	Stage 1		Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
		including: instruments with a low credit risk								
Debt instruments	289,544	-	-	-	-	135	-	-	-	-
Financing	959,334	-	227,306	68,591	-	2,681	11,437	41,720	-	9,488
Total (31/12/2023)	**1,248,878**	**-**	**227,306**	**68,591**	**-**	**2,816**	**11,437**	**41,720**	**-**	**9,488**
Total (31/12/2022)	**1,250,792**	**-**	**209,153**	**101,574**	**-**	**5,270**	**8,728**	**63,038**	**-**	**4,855**

The caption financing of the stage 1 column includes loans and receivables with banks of € 12.9 million.

The figures for coverage of performing loans to customers can be found in the following table:

Stage	financing with customers	Impairment losses	% hedged
Stage 1	946,462	2,681	0.28%
Stage 2	227,297	11,437	5.03%
Total	**1,173,759**	**14,118**	**1.20%**

4.4a Financing measured at amortised cost subject to COVID-19 support measures: gross amount and total impairment losses

Tax base / Amount	Gross amount					Total impairment losses				Partial/total write-offs
	Stage 1		Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
		including: instruments with a low credit risk								
1. Financing subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-
2. Financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-
3. Financing subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-
4. New financing	123,889	-	18,460	2,552	-	340	831	1,070	-	-
Total (31/12/2023)	**123,889**	**-**	**18,460**	**2,552**	**-**	**340**	**831**	**1,070**	**-**	**-**
Total (31/12/2022)	**179,421**	**-**	**20,737**	**1,721**	**-**	**1,165**	**976**	**569**	**-**	**-**

The amount indicated in item 4 refers to the financing disbursed under government guarantee according to the legislative provisions related to economic support for households and companies associated with the COVID-19 emergency.

Section 8 – Property, plant and equipment - Caption 80

8.1 Property and equipment used for operations: breakdown of assets measured at cost

Asset / Amount	Total 12/2023	Total 12/2022
1 Owned	**10,471**	**11,275**
a) land	4,221	4,223
b) buildings	4,811	5,529
c) furniture	799	824
d) electronic systems	290	285
e) other	350	414
2 Rights of use acquired with leases	**5,561**	**5,833**
a) land	-	-
b) buildings	4,251	5,069
c) furniture	-	-
d) electronic systems	1,254	683
e) other	56	81
Total	**16,032**	**17,108**
including: obtained through enforcement of guarantees received	-	-

Item "2 Rights of use acquired with leases - b) buildings" in the above table indicates the rights of use on leased properties, calculated following application of IFRS 16 for € 4,251 thousand.

The amount under item "2 Rights of use acquired with leases - d) electronic systems" including the rights of use on leased electronic machinery amounts to € 1,254 thousand, while item "e) other" includes the rights of use for car hire for € 56 thousand.

8.2 Investment property: breakdown of assets measured at cost

Asset / Amount	Total 12/2023				Total 12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1 Owned	**507**	**-**	**-**	**507**	**524**	**-**	**-**	**524**
a) land	-	-	-	-	-	-	-	-
b) buildings	507	-	-	507	524	-	-	524
2 Rights of use acquired with leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**507**	**-**	**-**	**507**	**524**	**-**	**-**	**524**
including: obtained through enforcement of guarantees received	507	-	-	507	524	-	-	524

8.6 Property and equipment used for operations: changes

Tax base / Amount	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**4,223**	**34,597**	**6,943**	**7,142**	**7,418**	**60,323**
A.1 Accumulated depreciation and net impairment losses	-	29,068	6,119	6,857	7,004	49,048
A.2 Net opening balance	4,223	5,529	824	285	414	11,275
B.Increases:	**4**	**-**	**136**	**141**	**63**	**344**
B.1 Purchases	4	-	136	139	63	342
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-				-
B.7 Other changes	-	-	-	2	-	2
C.Decreases:	**6**	**718**	**161**	**136**	**127**	**1,148**
C.1 Sales	6	13	-	-	-	19
C.2 Amortisation and depreciation	-	705	161	136	127	1,129
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-				-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**4,221**	**4,811**	**799**	**290**	**350**	**10,471**
D.1 Accumulated depreciation and net impairment losses	6	29,786	6,280	6,993	7,131	50,196
D.2 Gross closing balance	**4,227**	**34,597**	**7,079**	**7,283**	**7,481**	**60,667**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The decreases in line “C.2 Amortisation and depreciation” of the table above comply with the tax rates established by the Ministry for the Economy and Finance decree as no material wear and tear was identified during the year.

A list of the property owned by the bank is attached to these notes.

8.6-bis Including - Property, plant and equipment used for operations - Rights of use acquired with leases: changes

Tax base / Amount	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**-**	**8,975**	**-**	**1,795**	**301**	**11,071**
A.1 Accumulated depreciation and net impairment losses	-	3,906	-	1,112	220	5,238
A.2 Net opening balance	-	5,069	-	683	81	5,833
B.Increases:	**-**	**418**	**-**	**813**	**15**	**1,246**
B.1 Purchases	-	-	-	-	-	-
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Impairment gains	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-				-
B.7 Other changes	-	418	-	813	15	1,246
C.Decreases:	**-**	**1,236**	**-**	**242**	**40**	**1,518**
C.1 Sales	-	-	-	-	-	-
C.2 Amortisation and depreciation	-	896	-	242	40	1,178
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-				-
b) non-current assets held for sale and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	340	-	-	-	340
D. Net closing balance	**-**	**4,251**	**-**	**1,254**	**56**	**5,561**
D.1 Accumulated depreciation and net impairment losses	-	4,802	-	1,354	260	6,416
D.2 Gross closing balance	**-**	**9,053**	**-**	**2,608**	**316**	**11,977**
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The previous statement highlights the changes in rights of use in line with the provisions of IFRS16.

Point B7 - "Other changes" shows the new tangible goods rental contracts signed during financial year 2023 and the additions to existing contracts.

Point C.7 "Other changes" contains the changes due to fee revision of existing lease contracts and early repayments.

8.7 Investment property: changes

Tax base / Amount	Total 12/2023	
	Land	Buildings
A. Opening balance	**-**	**524**
B.Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised improvement costs	-	-
B.3 Fair value gains	-	-
B.4 Impairment gains	-	-
B.5 Exchange gains	-	-
B.6 Transfers from property used for operations	-	-
B.7 Other changes	-	-
C.Decreases	**-**	**17**
C.1 Sales	-	-
C.2 Amortisation and depreciation	-	17
C.3 Fair value losses	-	-
C.4 Impairment losses	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) property used for operations	-	-
b) non-current assets held for sale and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balance	**-**	**507**
E. Fair value	**-**	**-**

The above table shows the value of the properties assigned to the bank by the Courts of Terni and Fermo following credit recovery enforcement procedures.

Section 9 – Intangible assets - Caption 90

9.1 Intangible assets: breakdown by asset

Asset / Amount	Total 12/2023		Totale 12/2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**-**		**-**
A.2 Other intangible assets	**164**	**-**	**150**	**-**
including: software	*164*	-	*150*	-
A.2.1 At cost	164	-	150	-
a) Internally-generated	-	-	-	-
b) Other assets	*164*	-	*150*	-
A.2.2 At fair value:	-	-	-	-
a) Internally-generated	-	-	-	-
b) Other assets	-	-	-	-
Total	**164**	**-**	**150**	**-**

9.2 Intangible assets: changes

Tax base / Amount	Goodwill	Other intangible assets: internally-generated		Other intangible assets: other		Total
		with finite life	with indefinite life	with finite life	with indefinite life	
A. Opening balance	**-**	**-**	**-**	**998**	**-**	**998**
A.1 Accumulated depreciation and net impairment losses	-	-	-	848	-	848
A.2 Net opening balance	**-**	**-**	**-**	**150**	**-**	**150**
B. Increases	**-**	**-**	**-**	**122**	**-**	**122**
B.1 Purchases	-	-	-	122	-	122
B.2 Increase in internally generated assets		-	-	-	-	-
B.3 Impairment gains		-	-	-	-	-
B.4 Fair value gains	-	-	-	-	-	-
- equity		-	-	-	-	-
- profit or loss		-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**108**	**-**	**108**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	108	-	108
- Amortisation and depreciation		-	-	*108*	-	*108*
- Impairment losses	-	-	-	-	-	-
+ equity		-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.3 Fair value losses	-	-	-	-	-	-
- equity		-	-	-	-	-
- profit or loss		-	-	-	-	-
C.4 Transfers to disposal groups	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**-**	**-**	**164**	**-**	**164**
D.1 Accumulated amortisation and net impairment losses	-	-	-	956	-	956
E. Gross closing balance	**-**	**-**	**-**	**1,120**	**-**	**1,120**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Intangible assets include software packages amortised over five years unless their user licence provides otherwise.

Section 10 – Tax assets and liabilities - Caption 100 of assets and Caption 60 of liabilities

10.1 Deferred tax assets: breakdown

Components	12/2023
Personnel expense	721
Accruals to Provisions for Risks and Charges	1,346
Fair value losses on HTCS securities	8,446
Impairment losses on loans and receivables	6,920
Actuarial losses on agents' termination benefits/post-employment benefits	667
Total	**18,100**

"Impairment losses on loans and receivables" includes the deferred tax assets calculated during transition to IFRS9 on the impairment losses for € 2,579 thousand.

10.2 Deferred tax liabilities: breakdown

Components	12/2023
Fair value gains on bonds	-
Fair value gains on HTCS securities	356
Deferred gains	-
FTA depreciation of land	672
Post-employment benefits	235
Actuarial gains on post-employment benefits	-
Total	**1,263**

Deferred tax assets and liabilities were affected by changes in the measurement reserve for financial assets held in the HTCS securities portfolio. Moreover, the tax legislative changes applicable to entities that apply the IFRS authorised use of the "derivazione rafforzata" criterion rather than the "neutrality" criterion. This substantially decreased the differences between the carrying amounts and tax bases of assets and liabilities with the resulting decrease in the related deferred tax assets and liabilities. Law no. 214/2011 introduced the provision for the conversion of deferred tax assets recognised on loans and receivables and goodwill when they satisfy the probability test. Table 10.3-bis shows the deferred tax assets covered by the law if the bank has an accounting or tax loss.

The probability test as envisaged by IAS 12 was carried out for the estimate of recoverability of other deferred tax assets. This test is based on the prediction for future years, adjusting its pre-tax profit to consider temporary and permanent future differences in accordance with the tax regulations in force at the valuation date, so as to give an estimate of the future tax results capable of determining the recovery of deferred tax assets.

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

Tax base / Amount	Total 12/2023	Total 12/2022
1. Opening balance	**11,522**	**12,674**
2. Increases	**618**	**920**
2.1 Deferred tax assets recognised in the year	618	920
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) reversals of impairment losses	-	-
d) other	*618*	*920*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**3,152**	**2,072**
3.1 Deferred tax assets derecognised in the year	3,152	2,072
a) reversals	*3,152*	*2,072*
b) impairment due to non-recoverability	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
a) conversion into tax assets as per Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**8,988**	**11,522**

10.3-bis Change in deferred tax assets as per Law no. 214/2011

Tax base / Amount	Total 12/2023	Total 12/2022
1. Opening balance	**6,471**	**7,452**
2. Increases	**-**	**-**
3. Decreases	**2,129**	**981**
3.1 Reversals	*2,129*	*981*
3.2 Conversions into tax assets	-	-
a) arising on losses	-	-
b) arising on tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**4,342**	**6,471**

The above table shows the deferred tax assets related to impairment losses on loans and receivables that are convertible into tax assets should the bank record a loss for accounting or tax purposes as per Law no. 214/2011.

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

Tax base / Amount	Total 12/2023	Total 12/2022
1. Opening balance	**672**	**672**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised in the year	-	-
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognised in the year	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**672**	**672**

10.5 Changes in deferred tax assets (recognised in equity)

Tax base / Amount	Total 12/2023	Total 12/2022
1. Opening balance	**18,635**	**1,742**
2. Increases	**134**	**17,497**
2.1 Deferred tax assets recognised in the year	134	17,497
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*134*	*17,497*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**9,657**	**604**
3.1 Deferred tax assets derecognised in the year	9,657	604
a) reversals	*9,657*	*604*
b) impairment due to non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**9,112**	**18,635**

10.6 Changes in deferred tax liabilities (recognised in equity)

Tax base / Amount	Total 12/2023	Total 12/2022
1. Opening balance	**593**	**2,571**
2. Increases	**157**	**204**
2.1 Deferred tax liabilities recognised in the year	157	204
a) related to previous years	-	-
b) due to changes in accounting policies	-	-
c) other	*157*	*204*
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**159**	**2,182**
3.1 Deferred tax liabilities derecognised in the year	159	2,182
a) reversals	*159*	*2,182*
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Decrease in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**591**	**593**

10.7 Other information

Caption “100a” of “Tax assets: a) current” of € 4,468 thousand comprises:

- tax relief for earthquakes of € 3,630 thousand;
- tax assets of € 4 thousand for withholdings on public bodies;
- substitute tax on account of € 803 thousand on the capital gain;
- IRES tax relief of €24 thousand;
- IRAP tax relief of €6 thousand;
- IRES additional tax credit for € 1 thousand.

Section 12 - Other assets - Caption 120

12.1 Other assets: breakdown

Components	Total 12/2023	Total 12/2022
a) other tax assets	20,736	18,782
b) cheques drawn on other banks	61	103
c) cheques to be received from clearing house and truncated in branch	-	-
e) revenue stamps and other stamps	3	3
g) shortfalls, embezzlement, theft and other prior	-	-
h) items in transit	15,743	14,646
i) leasehold improvements	581	408
j) accrued income	99	4,727
k) prepayments	212	275
l) portfolio adjustment differences	-	-
m) other	5,614	5,920
Total	**43,049**	**44,864**

Specifically, in the above table:

- point a) includes construction tax credits acquired from customers with reference to law 34/2020 and restated in item “120 Other assets”, equal to € 16,178 thousand. As indicated in the Report on Operations, during the year two sales were completed with Intesa SanPaolo, relative to Superbonus receivables respectively in the amount of € 10,596 thousand and € 4,109 thousand.
- item h) includes transactions under settlement by BFF S.P.A. and Bank of Italy (€ 6,781 thousand) and items in transit to be debited to the end accounts (€ 8,961 thousand).
- item k) mostly consists of prepaid insurance premiums;
- item m) includes sundry amounts of €951 thousand, accrued commissions of €4,662 thousand.

LIABILITIES

Section 1 – Financial liabilities measured at amortised cost - Caption 10

1.1 Financial liabilities measured at amortised cost: breakdown of due to banks by product

Transaction/Amount	Total 12/2023				Total 12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to central banks	**174,991**				**460,000**			
2. Due to banks	**64**				**1,797**			
2.1 Current accounts and on-demand deposits	-				1,797			
2.2 Term deposits	64				-			
2.3 Financing	-				-			
2.3.1 Repurchase agreements	-				-			
2.3.2 Other	-				-			
2.4 Commitments to repurchase own equity instruments	-				-			
2.5 Lease liabilities	-				-			
2.6 Other liabilities	-				-			
Total	**175,055**	**-**	**-**	**175,055**	**461,797**	**-**	**-**	**461,797**

Point 1. of the previous table shows financing granted by the ECB through TLTRO III equal to € 170 million, maturing on 31 December 2024. The item also includes the payable for net interest at 31 December 2023.
The difference with respect to the previous year is due to the early repayment voluntarily made in the amount of € 200 million, as well as the repayment of the 90 million which came due during 2023.

1.2 Financial liabilities measured at amortised cost: breakdown of due to customers by product

Transaction/Amount	Total 12/2023				Total 12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and on-demand deposits	**1,752,840**				**1,873,393**			
2. Term deposits	**4,831**				**6,620**			
3. Financing	-				-			
3.1 Repurchase agreements	-				-			
3.2 Other	-				-			
4. Commitments to repurchase own equity instruments	-				-			
5. Lease liabilities	5,461				5,727			
6. Other liabilities	140,679				91,998			
Total	**1,903,811**	**-**	**-**	**1,909,671**	**1,977,738**	**-**	**-**	**1,967,902**

1.2.1 Lease liabilities: performance

Transaction/Amount	Lease liabilities at 12/2022	Interest expense	Fees paid for leasing	Other changes	Carrying amount at 12/2023
Total financial liabilities for leasing	5,727	- 109	- 1,254	1,097	5,461

The column "Other changes" includes early repayments with reference to IFRS 16 contracts for € 50 thousand and new contracts and ISTAT adjustments to existing ones for € 1,047 thousand.

1.2.2 Lease liabilities: time bracket

Transaction/Amount	Present value at 12/2023	Present value at 12/2022
Up to 3 months	2	-
After 3 months and up to 1 year	15	32
After 1 year and up to 5 years	2,236	1,205
After 5 years	3,208	4,490
Total	**5,461**	**5,727**

1.3 Financial liabilities measured at amortised cost: breakdown of securities issued by product

Security /Amount	Total 12/2023				Total 12/2022			
	Carrying amount	Fair value			Carrying amount	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	-	-	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-	-	-
2. other securities	57,345	-	-	56,469	37,587	-	-	36,600
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	*57,345*	-	-	*56,469*	*37,587*	-	-	*36,600*
Total	**57,345**	**-**	**-**	**56,469**	**37,587**	**-**	**-**	**36,600**

Item "2.2 - other" includes the certificates of deposit issued by the bank.

Section 2 – Financial liabilities held for trading - Caption 20

2.1 Financial liabilities held for trading: breakdown by product

Transaction / Amount	Total 12/2023					Total 12/2022				
	Nominal or notional amount	Fair Value			Fair Value (*)	Nominal or notional amount	Fair Value			Fair Value (*)
		L1	L2	L3			L1	L2	L3	
A. Liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt instruments	-	-		-	-	-	-		-	-
3.1. Bonds	-	-		-	-	-	-		-	-
3.1.1 Structured	-	-	-	-		-	-	-	-	
3.1.2 Other bonds	-	-	-	-		-	-	-	-	
3.2. Other securities	-	-		-		-	-		-	
3.2.1 Structured	-	-	-	-		-	-	-	-	
3.2.2 Other	-	-	-	-		-	-	-	-	
Total A	**-**	**-**		**-**	**-**	**-**	**-**		**-**	**-**
B. Derivatives										
1. Financial derivatives		7	332	-			37	424	-	
1.1 For trading		*7*	*332*	-			*37*	*424*	-	
1.2 Associated with fair value option		-	-	-			-	-	-	
1.3 Other		-	-	-			-	-	-	
2. Credit derivatives		-	-	-			-	-	-	
2.1 For trading		-	-	-			-	-	-	
2.2 Associated with fair value option		-	-	-			-	-	-	
2.3 Other		-	-	-			-	-	-	
Total B		**7**	**332**	**-**			**37**	**424**	**-**	
Total (A+B)		**7**	**332**	**-**			**37**	**424**	**-**	

Section 6 - Tax liabilities - Caption 60

6.1 Current tax liabilities

Tax base / Amount		12/2023
Current tax liabilities		**67**
IRES		7,089
IRAP		1,877
Stamp duty		294
Additional payments on account	-	1,245
IRES payments on account	-	8,404
IRAP payments on account	-	2,179
Prior year tax assets		2,635

In addition to the accruals for taxes during the year, the advance payments made for this purpose were deducted as envisaged by IAS 12.

Section 8 - Other liabilities - Caption 80

8.1 Other liabilities: breakdown

Components	12/2023	12/2022
a) Tax liabilities	8,053	4,630
b) Amounts due to social security institutions	1,083	22
c) Amounts available to customers	2,509	2,496
d) Third party guarantee deposits	121	354
f) Other amounts due to employees	3,174	2,943
g) Items in transit	20,244	21,851
h) Accrued expenses	3	1,009
i) Deferred income	330	285
j) Portfolio adjustment differences	612	1,700
k) Other items	3,745	1,829
Total	**39,874**	**37,119**

Item “a) Tax liabilities” refers to tax withholdings to be paid and amounts collected on behalf of customers to be transferred to the tax authorities.
Item “k) Other items” includes: invoices to be received for € 182 thousand, sundry positions for € 2,262 thousand and other payable items for 1,301 thousand.

Section 9 – Employee termination indemnities – Caption 90

9.1 Employee termination indemnities: changes

Tax base / Amount	Total 12/2023	Total 12/2022
A. Opening balance	**5,195**	**5,910**
B. Increases	**191**	**24**
B.1 Accruals	191	24
B.2 Other changes	-	-
C. Decreases	**676**	**739**
C.1 Payments	528	484
C.2 Other changes	148	255
D. Closing balance	**4,710**	**5,195**
Total	**4,710**	**5,195**

The actuarial gain of € 132 thousand determined by the actuary are recognised in point "C.2 Other changes". Point B.1 shows the annual interest cost, as calculated by the actuary.

9.2 Other information:

Breakdown of "B. Increases"

Description	Amounts
Interest cost	191
including: Revaluation	*96*
Actuarial loss	-
Total	**191**

Breakdown of "C. Decreases"

Description	Amounts
Decrease due to post-employment benefits reform Legislative decree no.	- 131
Post-employment advances and payments	- 528
Substitute tax on revaluation	- 16
Total	**- 675**

Actuarial valuation of employee termination indemnities

Description	Amounts
Present value of benefits at 31/12/2022	5,195
Interest cost	191
Substitute tax	- 16
Service cost	-
Payments	- 528
Total recursive	**4,842**
Present value of benefits at 31/12/2023	4,710
Accumulated actuarial gain	***132***

Since 1 January 2007, post-employment benefits are transferred to either the INPS treasury fund or a supplementary pension fund. Therefore, the actuarial calculation considers the value of accrued benefits, i.e. the total liability for each employee. The calculation is based on demographic and economic assumptions already used at 31/12/2023. The bank eliminated the corridor approach in 2012 and recognised the actuarial loss immediately in equity, thus adopting one of the effects of the revised IAS 19 (2011) early.

For the financial assumptions, reference was made by the actuary to the:

- demographic parameters;
- economic parameters;
- financial parameters.

The demographic parameters are most directly attributable to the actuarial aspects. These parameters are usually included in tables created from general samples from various institutes (e.g. ISTAT (the Italian National Institute of Statistics), INAIL, etc.) and by using the assumptions of a reduction in users based on the probability of death and invalidity.

The economic parameters concern the assumptions made on the changes in values with a direct economic connotation. Relative to the inflation rate, an essential value when determining trends for remeasuring performance in years after the initial valuation, the macroeconomic projections for Italy from 2024-2026 were used, prepared by Bank of Italy experts in the context of the coordinated Eurosystem exercise. The legal revaluation of the post-employment benefits is based on a mechanism that requires recognition of an annual capitalisation rate of 75% of the growth rate of the prices plus 1.5 percentage points. Given the scenario used in relation to this parameter, the measurement provides for a gross revaluation of the post-employment benefits corresponding to 2.78%.

The financial, and most significant, parameter is given from the rate used in the discounting of cash outflows and, therefore, in determining the average present value of the obligations. Through discounting, future commitments are all reported at the measurement date. The curve of Corporate Euro securities with AA rating (source: Refinitiv) reported at 31/12/2023 was used in the model, as shown by the following table:

YEAR	EUR AA CORPORATE CURVE YIELD TABLE	YEAR	EUR AA CORPORATE CURVE YIELD TABLE
1	3.7320%	16	3.1996%
2	3.2180%	17	3.2122%
3	3.1230%	18	3.2248%
4	3.1310%	19	3.2374%
5	3.1290%	20	3.2500%
6	3.0860%	21	3.2442%
7	3.0310%	22	3.2384%
8	3.0000%	23	3.2326%
9	3.0020%	24	3.2268%
10	3.0260%	25	3.2210%
11	3.0582%	26	3.1936%
12	3.0904%	27	3.1662%
13	3.1226%	28	3.1388%
14	3.1548%	29	3.1114%
15	3.1870%	30	3.0840%

On the basis of the above assumptions, the bank recognised the actuarial gain of € 132 thousand in other comprehensive income.

Section 10 – Provisions for risks and charges - Caption 100

10.1 Provisions for risks and charges: breakdown

Tax base / Amount	Total 12/2023	Total 12/2022
1. Provisions for credit risk associated with loan commitments and financial guarantees given	625	199
2. Provisions for other commitments and other guarantees given	-	-
3. Internal pension funds	5,027	5,094
4. Other provisions	4,391	4,369
4.1 legal and tax disputes	*2,203*	*2,497*
4.2 personnel expense	-	-
4.3 other	*2,188*	*1,872*
Total	**10,043**	**9,662**

10.2 Provisions for risks and charges: annual changes

Tax base / Amount	Provisions for other commitments and other guarantees given	Pension funds	Other provisions	Total
A. Opening balance	**199**	**5,094**	**4,369**	**9,662**
B. Increases	**503**	**446**	**918**	**1,867**
B.1 Accruals	503	211	918	1,632
B.2 Discounting	-	-	-	-
B.3 Changes due to variations in discount rate	-	-	-	-
B.4 Other changes	-	235	-	235
C. Decreases	**77**	**513**	**896**	**1,486**
C.1 Utilisations	-	492	896	1,388
C.2 Changes due to variations in discount rate	-	-	-	-
C.3 Other changes	77	21	-	98
D. Closing balance	**625**	**5,027**	**4,391**	**10,043**

Other provisions of € 4,391 thousand, shown in table 10.2, may be analysed as follows by type of litigation:

- Civil litigation	1,237,234
- Claw-back claims	305,000
- Other charges	379,347
- Labour disputes and litigation	660,500
- Various disputes	1,809,352
Total	**4,391,433**

Civil litigation is partially linked to counterparty claims regarding charging of compound interest or interest exceeding the legal rate.
Risks for ongoing proceedings about securities trading are modest, also given the:
1) limited number of legal actions: one at 31/12/2023;

2) generally modest amounts involved;
3) rulings at all levels in the bank's favour.

The accrual for claw-back claims refers to 1 customer under bankruptcy proceedings for which the court ruling had not been handed down at the reporting date.

There are two disputes involving employees. One dispute involves two employees due to a claim forms received by the bank for the repayment of grants for training to INPS. The case, following a second level judgement in favour of the bank, has been reinstated by the plaintiffs.

The bank has considered the typical risks of the banking sector and a prudent interpretation of the reference regulations when measuring and determining the various provisions.

It regularly reviews contingent liabilities for which specific provisions have not been made and which are treated like the recognised liabilities. These relate to obligations that are possible only or present obligations for which:

a. it is not certain whether an outflow of resources will be necessary;
b. the amount cannot be determined.

The case in point b is infrequent and relates to just one instance.

Conversely, the case in point a. is more frequent and the probability that an outflow of resources will be necessary depends on events that suggest that the probability of a negative outcome is very unlikely or impossible.

Specifically, it includes legal disputes existing at the reporting date, for which a negative outcome is improbable based on:

(i) the legal advisors' opinion;
(ii) rulings in the bank's favour by earlier court hearings.

Based on the probability of contingent or actual liabilities presented in the 2023 financial statements, the situation is as follows:

Type of risk	Contingent liability		Bonds	
	Petitum	*Accrual*	*Petitum*	*Accrual*
Civil litigation	2,084,118	0	3,004,285	1,237,234
Claw-back claims	0	0	1,272,584	305,000
Labour disputes and litigation	0	0	660,500	660,500
Various disputes and charges	1,471,949	0	2,501,716	2,188,699
Total	**3,556,067**	**0**	**7,439,086**	**4,391,433**

Contingent liabilities for civil disputes refer to the following categories:

a) repudiation of false drawers' signatures on credit instruments;
b) compound interest or interest exceeding the legal rate;
c) other claims for damage compensation.

The amount of € 2,084 thousand refers to 3 reimbursement requests for damages asserted by customers. With reference to the € 3,004 thousand claimed relative to bonds, this refers to 12 claims involving various civil cases.

10.3. Provisions for credit risk associated with loan commitments and financial guarantees given

Tax base / Amount	Provisions for credit risk associated with loan commitments and financial guarantees given				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total
Loan commitments	14	1	-	-	15
Financial guarantees given	21	8	581	-	610
Total	**35**	**9**	**581**	**-**	**625**

10.5 Defined benefit internal pension plans

The bank's pension fund ("*Fondo d'integrazione delle pensioni dell'assicurazione obbligatorio per l'invalidità, la vecchiaia ed i superstiti gestita dall'INPS per il Personale - ruolo credito - della Cassa di Risparmio di Fermo*"), included in the special section III as number 9107 of the Pension funds register held by COVIP (the Italian pension regulator) and recognised in caption 100. b) on the liabilities side of the balance sheet, is regulated by the Agreement of 4 December 1990, Legislative decree no. 124/93, the new legislative framework as defined by Law no. 335 of 8 August 1995 and the measure attached to the 1998 Finance Act (Law no. 449/1997) as well as the agreement of 18 October 2000 for the fund's transformation by setting up a defined contribution part from 1 January 2001.

The fund's object is to provide its beneficiaries and their surviving family members with a supplementary pension in addition to that provided by INPS.

Following the aforesaid transformation agreement, the fund covers the bank's employees that had retired at 31 December 2000 or their surviving family members. The bank pays in a contribution in order to ensure its actuarial balance.

At 31/12/2023, the fund had 97 beneficiaries, including those with zero annuities as shown in the following table:

Gender	Direct	Indirect or reversible	Total
Women	6	48	**54**
Men	42	1	**43**
Total	**48**	**49**	**97**

The actuarial calculations were based on a projection of the individual beneficiaries' positions at 31 December 2023. This projection was extended until the complete extinguishment of the obligations considering a hypothetical system based on:

1. legislative parameters;
2. demographic parameters;
3. economic parameters;
4. financial parameters.

The generation RG 48 chart prepared by the State General Accounting Office was used for the demographic parameters while the estimates usually used for INPS simulations were used for the family beneficiaries.

An annual increase in prices of 2% over the long term was assumed for the economic parameters. The effects of the provision contained in law no.45 of 30/12/2018 were also estimated, though given the transitory nature of the measure, as of 2022 the revaluation will nevertheless be estimated in line with the general provision under article 34, paragraph 1 of Law no. 448 of 23 December 1998 which provides for the following recognition rates for annual price changes:

BRACKET	RATE
Up to 3 times the minimum treatment	100%
From 3 to 5 times the minimum treatment	90%
More than 5 times the minimum treatment	75%

With respect to the financial parameters, in compliance with IAS provisions, an update was made to the returns structure of the curve of the Corporate Euro securities with AA rating (source: Refinitiv) reported at 31 December 2023.

The average present value appraised by the relevant expert of the cost of integrating and substituting the pension plan for the 97 beneficiaries is in line with the amount recognised in the financial statements.

Technical accounts at 31/12/2023	
Average present value - immediate	4,761
Average present value - total charges	4,761
Mathematical reserve at 31/12/2022	4,828
Equity at 31/12/2023	4,813
Mathematical provision	4,761
TECHNICAL DEFICIT	**52**
Calculation of actuarial gains/losses for IFRS purposes	
Mathematical provision at 31 December 2022	4,828
Interest cost	190
Service cost	0
Payments	492
Accumulated net actuarial gain at 31/12/2023	**235**

The bank has replaced the corridor approach with the immediate recognition of actuarial gains or losses in other comprehensive income. The interest cost recognised in profit or loss amounted to € 190 thousand and the actuarial loss to € 235 thousand, recognised in other comprehensive income.

Section 12 – Shareholders' Equity – Captions 110, 130, 140, 150, 160, 170 and 180

12.1 Share capital and treasury shares: breakdown

Component	Amount
Share capital	39,241
Total	**39,241**

The fully subscribed and paid-in share capital consists of 759,750 shares with a nominal amount of €51.65 for a total €39,241,087.50.

The bank's shareholders are:

- Fondazione Cassa di Risparmio di Fermo, with 506,500 ordinary shares equal to an investment of 66.67%;
- Intesa Sanpaolo S.p.A., with 253,250 ordinary shares equal to an investment of 33.33%.

The caption did not undergo any change during the year.

12.2 Share capital - number of shares: annual changes

Tax base / Types	Ordinary	Other
A. Opening balance	**759,750**	**-**
- fully paid-in	*759,750*	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balance	**759,750**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- against consideration:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellations	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Disposals of equity investments	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**759,750**	**-**
D.1 Treasury shares (+)	-	-
D.2 Closing balance	759,750	-
- fully paid-in	*759,750*	-
- not fully paid-in	-	-

12.4 Income-related reserves: other information

Tax base	LEGAL RESERVE	STATUTORY RESERVE	OTHER
OPENING BALANCE	**21,568**	**71,903**	**- 7,135**
INCREASES	**2,457**	**19,829**	**-**
Allocation of profits	2,457	19,829	-
DECREASES	**-**	**-**	**-**
Other changes (FTA reserve)	-	-	-
CLOSING BALANCE	**24,025**	**91,732**	**- 7,135**

The legal reserve was increased by the allocation of 10% of the profit for the year as provided for by article 24 of the by-laws, regardless of the legal requirements for it to be equal to one fifth of the bank's share capital as required by article 2430 of the Italian Civil Code.

It exceeds one fifth of the bank's share capital by € 16,176 thousand.

The statutory reserve includes:

- 15% of the profit for the year as provided for by article 24 of the by-laws;
- reclassification of the income-related reserves for €15,200 thousand as determined during IFRS FTA of 1 January 2005.

The other reserves comprise:

- the contribution reserve pursuant to Law 218/90 for € 6,130 thousand;
- FTA reserve of -€2,860 thousand;
- IFRS 9 FTA reserve of 1 January 2018 of -€10,405 thousand.

12.4.1 Shareholders' Equity: breakdown, availability and distributability of the different captions

Nature/description	Amount	Possible use (1)	Available portion	Summary of use in the last 3 years (2)	
				To cover losses	For other purposes
Share capital	39,241,087.50				
Equity-related reserves:					
Contribution reserve	6,129,826.94	A,B,C	6,129,826.94		
Revaluation reserve	15,121,767.94	A,B,C	15,121,767.94		
Share premium (3)	34,660,068.07	A,B,C	34,660,068.07		
Income-related reserves:					
Legal reserve	24,024,839.72	B	16,176,622.22		
Statutory reserve	91,732,305.43	B	-		
Other reserves:					
FTA reserve (IAS/IFRS adoption)	- 13,265,284.23		-		
Fair value reserve (HTCS securities)	- 16,501,238.47		-		
Actuarial reserve	- 1,758,767.78		-		
Retained earnings	-		-		
Total	**179,384,605.12**		**72,088,285.17**	**-**	**-**
Undistributable portion (4)			745,412.67		
Remaining distributable portion			71,342,872.50		

in Euros

Key:
A = share capital increase
B = to cover losses

C = dividend distribution

Note:

(1) = Except for additional constraints imposed by by-laws

(2) = Utilisations are shown from 2000 as comparative previous years' data are unavailable

(3) = Pursuant to article 2431 of the Italian Civil Code, the entire reserve can only be distributed when the legal reserve has reached the threshold set by article 2430 of the Italian Civil Code.

(4) = The portion that cannot be distributed due to: the translation reserve, the reserve for equity-accounted investees, the reserve for departures as per article 2413.4 of the Italian Civil Code and the part allocated to cover unamortised deferred costs as per article 2426.5 of the Italian Civil Code.

12.4.2 Proposed allocation of the profit for the year

Profit distribution plan			
PROFIT FOR THE YEAR			**22,431,071.80**
Reserves as per article 6 of Legislative decree no. 38/2005:			
fair value gains recognised in profit or loss (to be recognised in the relevant reserve)			-
other			-
Unavailable profits			-
DISTRIBUTABLE PROFIT FOR THE YEAR			**22,431,071.80**
10% to the legal reserve			**2,243,107.00**
15% to the statutory reserve			**3,364,661.00**
- **Shareholder remuneration:** dividend per share	**5.000**		
- Shares held by Banca Intesa S.p.A.	*253,250.00*	*1,266,250.00*	
- Shares: held by Fondazione Cassa di Risparmio di Fermo	*506,500.00*	*2,532,500.00*	
Dividends to be distributed			**3,798,750.00**
Reserve pursuant to Law 136 of 09/10/2023			**6,047,646.46**
Remainder to the statutory reserve			**6,976,907.34**
Summary of allocation			
To the legal reserve		2,243,107.00	
To the statutory reserve		10,341,568.34	
To reserve pursuant to Law 136 of 09/10/2023		6,047,646.46	
Total increase in equity			**18,632,321.80**
Dividends			**3,798,750.00**
TOTAL DISTRIBUTABLE PROFIT			**22,431,071.80**

The profit for the year to be allocated amounts to € 22,431,072.

Pursuant to the relevant laws and article 25 of the by-laws, we propose it be allocated as follows:

- to the shareholders as a unit dividend of € 5;
- 10% to the legal reserve, i.e., € 2,243,107;
- € 3,364,661 to the statutory reserve;
- € 6,047,646 to the reserve pursuant to Law 136 of 9/10/2023;

- the remaining € 6,976,907 also to the statutory reserve.

The extraordinary tax calculated on the increase in net interest income pursuant to article 26 of Law 136 of 9 October 2023, converting Decree Law 104 of 10 August 2023, published in the Official Journal of 10 October 2023, was not recognised in the profit and loss statement in the annual financial statements at 31 December 2023, given that at the time the 2023 financial statements were approved the Board of Directors decided to propose to the Shareholders' Meeting called to approve the 2023 financial statements the destination of an amount equal to two and one half times the tax to a non-distributable reserve. The tax is estimated at € 2.419 million and therefore the amount to be allocated to the non-distributable reserve will be € 6.048 million.

After the allocation set out above pursuant to article 25 of the by-laws, the legal reserve, which amounted to € 24,024,840 at 31 December 2023, will amount to € 26,267,947 exceeding one fifth of the share capital as per article 2430 of the Italian Civil Code by € 18,419,729.

OTHER INFORMATION

1. Loan commitments and financial guarantees given other than those at fair value

Transactions	Nominal amount on commitments and financial guarantees given				Amount at 12/2023	Amount at 12/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
Loan commitments	**574,779**	**21,658**	**5,822**	**-**	**602,259**	**567,885**
a)Central banks	-	-	-	-	-	-
b)Public administrations	77,604	-	-	-	77,604	77,488
c)Banks	-	-	-	-	-	8,622
d)Other financial companies	24,722	64	-	-	24,786	6,512
e)Non-financial companies	424,559	14,794	5,720	-	445,073	415,389
f)Households	47,894	6,800	102	-	54,796	59,874
Financial guarantees given	**21,080**	**1,210**	**584**	**-**	**22,874**	**24,516**
a)Central banks	-	-	-	-	-	-
b)Public administrations	27	-	-	-	27	34
c)Banks	5,285	-	-	-	5,285	5,237
d)Other financial companies	4,881	56	-	-	4,937	4,730
e)Non-financial companies	9,873	1,088	584	-	11,545	12,241
f)Households	1,014	66	-	-	1,080	2,274

2. Other commitments and other guarantees given

There are no transactions of this kind in the bank's operations.

3. Assets pledged as guarantee for liabilities and commitments

Portfolios	Amount at 12/2023	Amount at 12/2022
1. Financial assets at fair value through profit or loss	1,298	570
2. Financial assets at fair value through other comprehensive income	278,909	372,811
3. Financial assets at amortised cost	148,101	204,189
4. Property, equipment and investment property	-	-
including: held as inventories	-	-

Table 3 shows the securities pledged as guarantee for the bank's liabilities:

- transactions tied to payment of pensions by INPS for €10 thousand;
- transactions connected to refinancing of margins for € 1,298 thousand;
- transactions tied to the ECB's monetary policies for € 427,000 thousand.

4. Management and trading on behalf of third parties

Service	Amount
1. Execution of customer orders	**-**
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Asset management	**-**
a) individual	-
b) collective	-
3. Securities custody and administration	**2,696,377**
a) third party securities held as part of depository bank services (excluding asset management)	-
1. securities issued by the reporting entity	-
2. other securities	-
b) third party securities on deposit (excluding asset management): other	832,240
1. securities issued by the reporting entity	*26,161*
2. other securities	*806,079*
c) party securities deposited with third parties	776,006
d) securities owned by the bank deposited with third parties	1,088,131
4. Other	**-**

PART C
Notes to the income statement

Section 1 – Interest – Captions 10 and 20

1.1 Interest and similar income: breakdown

Tax base / Products	Debt instruments	Financing	Other	Total 12/2023	Total 12/2022
1. Financial assets at fair value through profit or loss:	2,349	-	-	2,349	1,676
1.1 Financial assets held for trading	2,349	-	-	2,349	1,676
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	27,394	-		27,394	25,519
3. Financial assets at amortised cost	5,226	50,910		56,136	37,519
3.1 Loans and receivables with banks	-	974		974	253
3.2 Loans and receivables with customers	5,226	49,936		55,162	37,266
4. Hedging derivatives			-	-	-
5. Other assets			-	-	-
6. Financial liabilities				-	3,415
Total	**34,969**	**50,910**	**-**	**85,879**	**68,129**
- including: interest income on credit-impaired exposures	-	1,581	-	1,581	1,943
- including: interest income on finance leases		-		-	-

a) Interest accrued since the start of the year on the following credit-impaired exposures, which, at the reporting date, are unlikely to pay or are past due/overdrawn by more than 90 days:

1. Unlikely to pay (€ 1,456 thousand);
2. Past due/overdrawn by more than 90 days (€ 57 thousand).

b) The interest income accrued on NPL due to the passage of time, included in item 3.2 of the "Loans" table above, comes to € 1,581 thousand.

1.2 Interest and similar income: other information

1.2.1 Interest income on foreign currency financial assets

Tax base / Amount	Total 12/2023	Total 12/2022
1.2.1 Interest income on foreign currency financial assets	551	416

1.3 Interest and similar expense: breakdown

Tax base / Products	Financial liabilities	Securities	Other	Total 12/2023	Total 12/2022
1. Financial liabilities at amortised cost	- 28,732	- 609	-	- 29,341	- 4,135
1.1 Due to central banks	*- 11,622*		-	*- 11,622*	*- 1,171*
1.2 Due to banks	*- 38*		-	*- 38*	*- 30*
1.3 Due to customers	*- 17,072*		-	*- 17,072*	*- 2,536*
1.4 Securities issued		*- 609*	-	*- 609*	*- 398*
2. Financial liabilities held for trading	-	-	- 2	- 2	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions			-	-	-
5. Hedging derivatives			-		-
6. Financial assets				-	-
Total	**- 28,732**	**- 609**	**- 2**	**- 29,343**	**- 4,135**
including: interest expense related to lease liabilities	-			-	-

Point 1.1. of the previous table includes the interest accrued on TLTRO III financing equal to € 11,621 thousand.

1.4 Interest and similar expense: other information

1.4.1 Interest expense on foreign currency liabilities

Tax base / Amount	Total 12/2023	Total 12/2022
1.4.1 Interest expense on foreign currency liabilities	- 84	- 49

Section 2 – Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

Service / Amount	Total 12/2023	Total 12/2022
a) Financial instruments	**5,604**	**5,166**
1. Securities placement	4,955	4,659
1.1 With underwriting commitment and/or based on an irrevocable commitment	-	-
1.2 Without irrevocable commitment	*4,955*	*4,659*
2. Order collection and transmission and execution of customer orders	649	507
2.1 Order collection and transmission for one or more financial instruments	*533*	*405*
2.2 Execution of customer orders	*116*	102
3. Other fees and commissions associated with activities linked to financial instruments	-	-
including: negotiation on own behalf	-	-
including: individual asset management	-	-
b) Corporate Finance	**-**	**-**
1. Consultancy on mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other fees and commissions associated with corporate finance services	-	-
c) Consultancy services concerning investments	**-**	**-**
d) Compensation and regulation	**-**	**-**
e) Custody and administration	**108**	**73**
1. Depository bank	-	-
2. Other fees and commissions linked to custody and administration	108	73
f) Central administrative services for collective asset management	**-**	**-**
g) Fiduciary activities	**-**	**-**
h) Payment services	**14,847**	**14,506**
1. Current accounts	10,132	9,921
2. Credit cards	-	-
3. Debit cards and other payment cards	468	428
4. Transfers and other payment orders	1,354	1,279
5. Other fees and commissions linked to payment services	2,893	2,878
i) Distribution of third party services	**4,719**	**5,107**
1. Collective asset management	133	150
2. Insurance products	2,864	2,840
3. Other products	1,722	2,117
including: individual asset management	*256*	*260*
j) Structured finance	**-**	**-**
k) Servicing activities for securitisations	**-**	**-**
l) Loan commitments	**-**	**-**
m) Financial guarantees given	**271**	**270**
including: credit derivatives	-	-
n) Financing operations	**1,493**	**1,315**
including: for factoring transactions	-	-
o) Foreign currency transactions	**82**	**86**
p) Commodities	**-**	**-**
q) Other fee and commission income	**1,493**	**1,523**
including: for management of multilateral exchange systems	-	-
including: for management of organised trading systems	-	-
Total	**28,617**	**28,046**

The balance shown as letter "q) Other fee and commission income" in the above table mainly includes:

- Fee and commissions for home banking services for € 584 thousand[4];
- Commission on intermediation of credit operations for € 471 thousand[5];
- Fees and commissions for certification requests € 63 thousand;
- Fees and commissions for recovery of cash retail costs € 199 thousand.

2.2 Fee and commission income: product and service distribution channels

Channel / Amount	Total 12/2023	Total 12/2022
a) own branches:	**9,674**	**10,310**
1. asset management	-	-
2. securities placement	4,955	4,659
3. third party services and products	4,719	5,651
b) off-premises distribution:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-
c) other distribution channels:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third party services and products	-	-

2.3 Fee and commission expense: breakdown

Service / Amount	Total 12/2023	Total 12/2022
a) Financial instruments	**- 417**	**- 739**
including: trading in financial instruments	- 108	- 124
including: placement of financial instruments	-	-
including: individual asset management	- 309	- 615
- Own portfolio	*-*	*-*
- Third party portfolios	*- 309*	*- 615*
b) Compensation and regulation	**-**	**-**
c) Custody and administration	**- 54**	**- 61**
d) Collection and payment services	**- 1,718**	**- 1,658**
including: credit cards, debit cards and other payment cards	- 135	- 160
e) Servicing activities for securitisations	**-**	**-**
f) Commitments to receive funds	**-**	**-**
g) Financial guarantees received	**- 191**	**- 129**
including: credit derivatives	-	-
h) Off-premises distribution of securities, products and services	**-**	**-**
i) Foreign currency transactions	**-**	**-**
j) Other fee and commission expense	**- 92**	**- 68**
Total	**- 2,472**	**- 2,655**

[4] In the 2022 financial statements this type of commission was classified under line "h) payment services" for € 561 thousand and to improve understanding of the figures, in the 2022 column in table 2.1 the item was reclassified to line "q) Other fee and commission income"

[5] In the 2022 financial statements this type of commission was classified under line "h) Distribution of third party services" for € 543 thousand and to improve understanding of the figures, in the 2022 column in table 2.1 the item was reclassified to line "q) Other fee and commission income".

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Tax base / Income	Total 12/2023		Total 12/2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	151	-	77	-
B. Other financial assets mandatorily measured at fair value	-	39	-	16
C. Financial assets at fair value through other comprehensive income	1,189	-	1,136	-
D. Equity investments	-	-	-	-
Total	**1,340**	**39**	**1,213**	**16**

Section 4 – Net income from trading activities - Caption 80

4.1 Net trading income: breakdown

Tax base / Income	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Profit for the year [(A+B) – (C+D)]
1. Financial assets held for trading	**4,543**	**3,714**	**- 298**	**- 1,576**	**6,383**
1.1 Debt instruments	2,956	1,383	- 13	- 466	3,860
1.2 Equity instruments	1,426	1,515	- 277	- 1,110	1,554
1.3 OEIC units	161	816	- 8	-	969
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt instruments	-	-	-	-	-
2.2 Liabilities	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange gains					**- 1,172**
4. Derivatives	**30,178**	**-**	**- 29,490**	**-**	**688**
4.1 Financial derivatives:	30,178	-	- 29,490	-	688
- On debt securities and interest rates	30,178	-	- 29,490	-	688
- On equity instruments and equity indexes	-	-	-	-	-
- On currencies and gold					-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
including: natural hedges associated with the fair value option					-
Total	**34,721**	**3,714**	**- 29,788**	**- 1,576**	**5,899**

EXPENSES AND LOSSES:			REVENUE AND PROFITS:		
Tax base	2023	2022	Tax base	2023	2022
A) Opening balance in foreign currency	741	1,293	E) Revenue from currency	359,555	211,727
B) Cost of purchasing currency	361,771	211,822	F) Closing balance	1,827	741
D) Total costs	**362,512**	**213,115**	**H) Total revenue**	**361,382**	**212,468**

SUMMARY:		
	2023	2022
(+) Total revenue	*361,382*	*212,468*
(-) Total costs	*- 362,512*	*- 213,115*
(+) Currency fees	*51*	*57*
(-) Losses (+) gains on currencies	*307*	*128*
(-) Impairment losses (+) gains on Securities	*- 400*	*152*
(-) Impairment losses (+) gains on Currencies		
Profit from currency valuation	*- 1,172*	*- 310*

Section 6 - Gain (losses) on disposal or repurchase - Caption 100

6.1 Gain (losses) on disposal or repurchase: breakdown

Tax base / Income statement item	Total 12/2023			Total 12/2022		
	Gains	Losses	Net gain	Gains	Losses	Net gain
Financial assets						
1. Financial assets at amortised cost	1,020	- 1,494	- 474	411	-	411
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	*1,020*	*- 1,494*	*- 474*	*411*	*-*	*411*
2. Financial assets at fair value through other comprehensive income	2,288	- 11,219	- 8,931	8,759	- 2,953	5,806
2.1 Debt instruments	*2,288*	*- 11,219*	*- 8,931*	*8,759*	*- 2,953*	*5,806*
2.2 Financing	-	-	-	-	-	-
Total assets	**3,308**	**- 12,713**	**- 9,405**	**9,170**	**- 2,953**	**6,217**
Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Item “1.2 Loans and receivables with customers”, column 3, includes the profit made from the sale of securities included in the HTC portfolio, for € 274 thousand. As indicated in the Report on Operations, investments made under the HTC portfolio, mainly targeting coupon flow, involved almost entirely Italian government securities and at the beginning of 2023 securities from the HTC portfolio were sold for a nominal value of € 37.6 million, in full compliance with IFRS 9 and the Bank's Financial Risk Policy. The securities sold were replaced with Italian government bonds in line with the business model’s objective to support net interest income. In the same line (corresponding to Item 100a in the statement of profit and loss), the net loss is also included from sale of NPLs through the securitisation transaction for € 1 million and profit from the transfer of tax credits to Banca Intesa for € 260 thousand.

Section 7 - Net gains (losses) on financial assets and liabilities measured at fair value through profit or loss - Caption 110

7.2 Net gains (losses) on other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transaction / Income statement item	Gains (A)	Realised gains (B)	Losses (C)	Realised losses (D)	Profit for the year [(A+B) – (C+D)]
1. Financial assets	**358**	**-**	**-**	**-**	**358**
1.1 Debt instruments	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 OEIC units	358	-	-	-	358
1.4 Financing	-	-	-	-	-
2. Foreign currency financial assets: Exchange gains (losses)					**-**
Total	**358**	**-**	**-**	**-**	**358**

The amount indicated in the table above refers to the increase in the value of the units of the Efesto Fund (AIF) as previously indicated.

Section 8 – Net impairment gains (losses) for credit risk - Caption 130

8.1 Net impairment losses for credit risk related to financial assets at amortised cost: breakdown

Transaction / Income statement item	Impairment losses (1)						Impairment gains (2)				Total 12/2023	Total 12/2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Loans and receivables with banks	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**1**	**87**
- Financing	-	-	-	-	-	-	1	-	-	-	1	87
- Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	**-291**	**-**	**-3,418**	**-8,438**	**-**	**-**	**-**	**-**	**11,839**	**-**	**-308**	**-3,895**
- Financing	-291	-	-3,418	-8,438	-	-	-	-	11,839	-	-308	-3,833
- Debt instruments	-	-	-	-	-	-	-	-	-	-	-	-62
Total	**-291**	**-**	**-3,418**	**-8,438**	**-**	**-**	**1**	**-**	**11,839**	**-**	**-307**	**-3,808**

8.2 Net impairment losses for credit risk related to financial assets at fair value through other comprehensive income: breakdown

Transaction / Income statement item	Impairment losses (1)						Impairment gains (2)				Total 12/2023	Total 12/2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-offs	Other	Write-offs	Other						
A. Debt instruments	-26	-	-	-	-	-	-	-	-	-	-26	-116
B. Financing	-	-	-	-	-	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	-26	-	-	-	-	-	-	-	-	-	-26	-116

Section 9 – Gains (Losses) from contractual modifications without derecognition - Caption 140

9.1 Gains (Losses) from contractual modifications without derecognition: breakdown

Tax base / Amount	Total 12/2023	Total 12/2022
9.1 Modification gains/losses: breakdown	-1,139	32

Section 10 - Administrative expenses – Caption 160

10.1 Personnel expense: breakdown

Expense / Amount	Total 12/2023	Total 12/2022
1) Employees	**- 25,738**	**- 24,741**
a) wages and salaries	- 17,839	- 17,340
b) social security contributions	- 4,794	- 4,586
c) post-employment benefits	- 191	- 24
d) pension costs	-	-
e) accrual for post-employment benefits	- 1,051	- 994
f) accrual for pension and similar provisions:	- 190	- 62
- defined contribution	-	-
- defined benefit plans	*- 190*	*- 62*
g) payments to external supplementary pension funds	- 574	- 571
- defined contribution	*- 574*	*- 571*
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	- 1,099	- 1,164
2) Other personnel	**-**	**-**
3) Directors and statutory auditors	**- 609**	**- 580**
4) Retired personnel	**-**	**-**
5) Cost recoveries for personnel seconded to other companies	**-**	**-**
6) Cost reimbursements for personnel seconded to the bank	**-**	**-**
Total	**- 26,347**	**- 25,321**

Item 3 of the table includes the statutory auditors' fees and the directors' insurance policies. According to Law no. 124 of 4 August 2017, known as the "law for market and competition", which introduced the policy on "subsidies, contributions, remunerated engagements and economic rewards of any kind" received from public administrations, the bank did receive this kind of contribution, which was recognised in caption "1) -b social security contributions". The following table analytically lists the financial incentives received:

N.	Contributing entity	Contribution received in euro	Reason
1	INAIL	27.83	law no. 92/2012 women unemployed over 24 months
2	INPS	2,217.00	law no. 92/2012 women unemployed over 24 months
3	INPS	61,998.63	law no. 205/2017 recruitment of young people
4	INPS	2,250.00	law no. 87/2018 - 160/2019 dignity decree
5	INPS	-	Decree law no. 151/2015 art. 10 disabled people
6	INPS	-	NASPI recipients law no. 92/2012 art. 2 subsection 15 decree law no. 76/2013
	Total economic benefits received	**66,493.46**	

10.1.1 Wages and salaries: bonuses

Expense / Amount	Total 12/2023	Total 12/2022
a) wages and salaries	- 17,839	- 17,340
- including: bonuses	*- 1,152*	*- 1,159*

10.2 Average number of employees per category

Breakdown	31/12/2023 peak value	12/2023 average	31/12/2022 peak value
• Employees	**346**	**332**	**347**
a) managers	2	2	2
b) junior managers	91	92	93
- including: 3rd and 4th level	*42*	*45*	*47*
c) other employees (including cleaning staff)	253	238	252
- including: 3rd professional group	*252*	*237*	*251*
- including: 2nd professional group	*1*	*1*	*1*
• Other personnel	**10**	**10**	**10**

The average was determined considering the part-time personnel for 50%.

10.3 Internal defined benefit pension plans: costs and revenue

Expense/Amount	12/2023	12/2022
Remuneration on supplementary pension fund - interest cost	190	62

10.4 Other employee benefits

Expense/Amount	12/2023	12/2022
Other employee benefits	- 1,099	- 1,164

This caption mainly comprises training costs of € 175 thousand, life, accident and health insurance policies of € 374 thousand, lunch vouchers of € 472 thousand and other employee benefit payments of € 78 thousand.

10.5 Other administrative expenses: breakdown

Components	12/2023	12/2022
1 - credit collection legal fees	- 1,135	- 1,111
2 - sundry and technical legal consultancy	- 1,327	- 1,134
3 - maintenance, repairs, conversions	- 973	- 830
4 - cleaning services	- 578	- 590
5 - rental of machinery and data transmission lines	- 1,141	- 1,161
6 - security and security transportation	- 543	- 494
7 - lighting and heating	- 627	- 1,143
8 - stationery and printed matter	- 178	- 180
9 - postal, telegraph, telex, telephone	- 304	- 297
10 - sundry insurance	- 393	- 366
11 - advertising	- 263	- 243
12 - subscriptions and purchases of publications	- 78	- 84
13 - third party service costs	- 5,358	- 5,288
14 - transportation and relocation	- 190	- 170
15 - membership fees	- 271	- 257
16 - contribution to the National Resolution Fund and the Interbank Guarantee Deposit Fund	- 2,701	- 2,604
17 - car leases	- 42	- 34
18 - information and Chamber of Commerce business register file searches	- 539	- 486
19 - other	- 336	- 234
Subtotal of other administrative expenses	**- 16,977**	**- 16,706**
Indirect taxes and duties		
1 - stamp duty	- 3,883	- 3,596
2 - own municipal tax	- 363	- 363
3 - other	- 509	- 513
Total indirect taxes and duties	**- 4,755**	**- 4,472**
Total other administrative expenses	**- 21,732**	**- 21,178**

"Maintenance, repair and conversions" relate to work performed to make the buildings usable. Therefore, they have been expensed.

Item 16 "Contribution to the National Resolution Fund and the Interbank Deposit Fund" shows the contributions paid to the Single Resolution Mechanism for € 850 thousand and before the face contributions paid to the IDPF for € 1,852 thousand.

The contractual amounts paid in 2023 to the independent auditors, net of expenses and VAT and the contribution to the supervisory authority, are as follows:

Service	Service provider	Fees
Statutory audit	Deloitte & Touche S.p.A.	73,742
Attestation service	Deloitte & Touche S.p.A.	37,729
Other services	Deloitte & Touche S.p.A.	3,466
TOTAL		**114,937**

Section 11 - Net accruals to provisions for risks and charges - Caption 170

11.1 Net accruals for credit risk associated with loan commitments and financial guarantees given

Tax base / Amount	12/2023
Loan commitments:	**- 503**
- commitments for endorsement credits	- 503
- other commitments	-
Financial guarantees given:	**77**
- guarantees given	77
- other guarantees given	-
Total	**- 426**

11.3 Net accruals to other provisions: breakdown

Tax base / Amount	12/2023
1 - accrual for legal disputes	- 211
2 - accrual for claw-back claims	- 245
3 - other	- 462
Total accruals	**- 918**
4 - Use to settle claw-back claims/civil disputes	895
Total utilisations	**895**
Total net accruals at 31/12/2023	**- 23**

Section 12 - Net adjustments to property, plant and equipment - Caption 180

12.1 Net adjustments to property, plant and equipment: breakdown

Asset/Income statement item	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Profit for the year (a + b – c)
A. Property, equipment and investment property				
1. Used for operations	- 2,307	-	-	- 2,307
- *owned*	- *1,129*	-	-	- *1,129*
- *rights of use acquired with leases*	- *1,178*	-	-	- *1,178*
2. Investment	- 17	-	-	- 17
- *owned*	- *17*	-	-	- *17*
- *rights of use acquired with leases*	-	-	-	-
3. Inventories		-	-	-
Total	**- 2,324**	**-**	**-**	**- 2,324**

Section 13 - Net adjustments to intangible assets - Caption 190

13.1 Net adjustments to intangible assets: breakdown

Asset / Income statement item	Depreciation (a)	Impairment losses (b)	Impairment gains (c)	Profit for the year (a + b – c)
A. Intangible assets				
including: software	-	-	-	-
A.1 Owned	- 108	-	-	- 108
- *Generated internally*	-	-	-	-
- *Other*	- *108*	-	-	- *108*
A.2 Rights of use acquired with leases	-	-	-	-
Total	**- 108**	**-**	**-**	**- 108**

Section 14 - Other operating expense/income - Caption 200

14.1 Other operating expense: breakdown

Tax base / Amount		12/2023
1 - Charitable donations	-	9
2 - Contributions to bodies and municipalities receiving treasury services	-	3
3 - Amortisation of leasehold improvements	-	181
4 - Losses for robberies		-
5 - Other	-	474
Total other operating expense	**-**	**667**

Item "5 – Other" includes € 29 thousand related to payments for adjustment of expenses and interest in 2022, € 41 thousand for greater expenses for banking services and € 237 thousand for settlement agreements on civil litigation for interest exceeding the legal rate and revocations. Use of the risk provision related to settlement agreements was restated to caption 170 of the profit or loss.
During the year, commissions were repaid that had been classified in profit and loss in previous years, totalling € 167 thousand, in accordance with transparency regulations.

14.2 Other operating income: breakdown

Tax base / Amount	12/2023
1 - Recoveries of administrative expenses	4,823
2 - Security box fees	81
3 - Lease income	447
4 - Other income	730
Total other operating income	**6,081**
Total caption 200	**5,414**

Caption "1 - Recoveries of administrative expenses" includes:
- recoveries of indirect taxes (stamp duty, substitute tax on medium- and long-term financing, registration fees) for € 4,035 thousand;
- recoveries of legal fees for € 455 thousand;
- fast credit processing fees for € 118 thousand;
- recoveries of postal, insurance and telephone fees for € 156 thousand;
- fees for treasury services bodies € 59 thousand.

Item "4 - Other income" includes:
- recovery of fines and fees on current accounts and deposits of € 284 thousand;
- prior year income of € 124 thousand;
- Enbicredito employment fund and FBA contributions of € 242 thousand;
- energy tax credit for € 80 thousand.

Section 18 - Gains (losses) on disposal of investments - Caption 250

18.1 Gains (losses) on disposal of investments: breakdown

Income statement item / Amount	Total 31/12/2023	Total 31/12/2022
A. Property	**- 19**	**-**
- Gains on sales	-	-
- Losses on sales	- 19	-
B. Other assets	**25**	**2**
- Gains on sales	25	2
- Losses on sales	-	-
Net gain	**6**	**2**

Section 19 - Income taxes - Caption 270

19.1 Income taxes: breakdown

Income statement item / Amount	Total 31/12/2023	Total 31/12/2022
1. Current taxes (-)	- 8,937	- 11,681
2. Change in current taxes from previous years (+/-)	-	-
3. Decrease in current taxes for the year (+)	-	-
3 bis. Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	- 2,534	- 1,152
5. Change in deferred tax liabilities (+/-)	-	-
6. Utilisation of prior year tax provision (+)	-	-
7. Income taxes (-) (-1+/-2+3+/-4+/-5)	**- 11,471**	**- 12,833**

19.2 Reconciliation between the theoretical and effective tax expense

Income statement item / Tax base	Amounts	Balance
Pre-tax profit	33,902	
Effective IRES tax rate	27.50%	
Theoretical tax expense		9,323
Permanent and temporary differences for IRES purposes		*- 2,259*
a) dividends	- 484	
b) other	- 7,730	
IRES tax		**7,064**
Pre-tax profit	33,902	
Effective IRAP tax rate	5.50%	
Theoretical tax expense		1,865
Permanent differences for IRAP purposes	**-**	7
a) non-deductible personnel expense	-	
b) impairment losses/gains on loans and receivables	- 5,536	
c) other	5,665	
IRAP tax		**1,872**
Income tax expense		**8,936**
Utilisation of tax provision for IRES reimbursement pursuant to Law decree no. 201/2011 - tax credit		-
Change in “deferred tax assets”, “deferred tax liabilities” and “current taxes from previous years”		2,535
Income tax benefit		**11,471**

Section 22 – Earnings per share

22.1 Average number of ordinary shares with dilutive effect

	Total 31/12/2023	Total 31/12/2022
Weighted average number of shares	759,750	759,750
Profit attributable to the share categories (Euro)	22,431,072	24,565,159
Basic EPS (Euro)	29.52	32.33
Diluted EPS (Euro)	29.52	32.33

Pursuant to IAS 33.10/33, the basic earnings per share (EPS) are €29.52.

The bank has not repurchased treasury shares. It has not issued nor does it have shares with dilutive effects.

PART D

Comprehensive income

DETAILED STATEMENT OF COMPREHENSIVE INCOME

	Tax base	12/2023	12/2022
10.	**Profit for the year**	**22,431**	**24,565**
	Items that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income:	25	504
	a) Fair value losses	*25*	*504*
	b) Transfers to other equity items	-	-
30.	Financial liabilities designated at fair value through profit or loss (changes in own credit rating):	-	-
	a) Fair value losses	-	-
	b) Transfers to other equity items	-	-
40.	Hedges of equity instruments at fair value through other comprehensive income:	-	-
	a) Fair value gains (losses) (hedged items)	-	-
	b) Fair value gains (losses) (hedges)	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	- 104	1,760
80.	Non-current assets held for sale and disposal groups	-	-
90.	Share of valuation reserves of equity-accounted investees	-	-
100.	Items that will not be reclassified to profit or loss: related tax	22	- 622
	Items that will be reclassified to profit or loss		
110.	Hedges of investments in foreign operations:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
120.	Exchange rate gains (losses):	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
	including: on net positions	-	-
140.	Hedging instruments: (non-designated items)	-	-
	a) changes in value	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (other than equity instruments) at fair value through other comprehensive income:	28,880	- 59,074
	a) fair value gains (losses)	*20,604*	*- 56,130*
	b) reclassification to profit or loss	*8,276*	*- 2,944*
	- impairment losses for credit risk	*- 36*	*- 1*
	- gains/(losses) on sales	*8,312*	*- 2,943*
	c) other changes	-	-
160	Non-current assets held for sale and disposal groups:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	c) other changes	-	-
170.	Share of valuation reserves of equity-accounted investees:	-	-
	a) fair value gains (losses)	-	-
	b) reclassification to profit or loss	-	-
	- impairment gains (losses)	-	-
	- gains/(losses) on sales	-	-
	c) other changes	-	-
180.	Related tax	- 9,542	19,493
190.	**Total other comprehensive expense**	**19,281**	**- 37,939**
200.	**Comprehensive income (expense) (captions 10 + 130)**	**41,712**	**- 13,374**

PART E
Risks and related hedging policies

SECTION 1 - CREDIT RISK

Introduction - General information

Risk management (monitoring, management and measurement) is a fundamental creator of value for the bank and its stakeholders. Accordingly, the bank's control units (the Internal Audit Office, the Risk Governance Office - including the Risk Management and AML units - and Compliance and Privacy Office) are given complete independence and operating powers to ensure the correct and full presentation of risks to the board of directors, the board of statutory auditors, the shareholders and all those who have direct and indirect interests in the bank's equity.

In compliance with the principle of proportionality, risks are managed using methods and processes appropriate for the bank's operations.

The Risk Management Unit of the Risk Governance Office is in charge of monitoring and managing risks. The main duties attributed to the unit are as follows:

- proposing methods, tools and procedures to identify, measure, monitor and manage the most important types of risks to management;
- measuring and assessing the bank's exposure to large risks and reporting thereon;
- checking that bank's risk profiles are in line with the strategies decided by the board of directors;
- regularly reviewing the models and methods used, reporting any weaknesses;
- checking compliance with operating limits defined by both external and internal regulations, proposing adjustments if necessary to the latter;
- working with the IT outsourcer and teams that work on risk management projects;
- monitoring the production and filing of methodological documentation about risk management and control;
- processing analyses and assessments required by the ICAAP (internal capital adequacy assessment process) and ILAAP (internal liquidity adequacy assessment process);
- preparing the data necessary for part E of the notes to the financial statements together with other units;
- checking the quality of the performing exposures portfolio and the classification and measurement of performing and non-performing exposures in the financial statements together with the other units involved;
- regularly preparing reports on trends and risk appetites of the bank's customers;
- preparing the reports on large exposures and, in the case of irregularities, informing the relevant units;
- checking compliance with the prudent regulatory limits as per Bank of Italy Circular no. 285/2013, Part Three, Chapter 11 (Risk-weighted assets and conflicts of interest with related parties) every quarter;
- participating in the finance committee, which ensures the coordinated management of the portfolio managed and the issues pertaining to market, interest rate and liquidity risks; the committee is also attended by the general manager, the head of the administration, control and finance unit, the head of the finance unit and the head of the treasury and finance office.

Once a year, the Risk Management Unit prepares a report for the market when the annual report is published, which includes the "… information about capital adequacy, exposure to risks and the general characteristics of the systems in place to identify, measure and manage such risks" in the "Pillar 3, Market disclosures, situation at 31/12/…" document, posted in the financial reporting section of the bank's internet site www.carifermo.it.

Following the transposition of "Country-by-country reporting" introduced by article 89 of Directive no. 2013/36/EU (the CRD IV) into Italian law, banks are required to publish the information set out in Annex A, Part 1, Title III, Chapter 2 of Circular no. 285/2013 starting from 1 July 2014. The bank publishes this information on its web page: www.carifermo.it/it/bilanci.

In accordance with Bank of Italy Circular no. 285/13, the board of directors defined the bank's risk appetite framework (RAF), identifying the risk objectives, the internal controls, specifying the roles and responsibilities of the internal bodies and units and preparing the related internal regulation and the criteria to identify the more significant transactions to be approved in advance by the Risk Management Unit.

The new internal controls strengthen the role of the control units and, especially, that of the Risk Management Unit which is actively involved in monitoring credit exposure, especially non-performing exposures.

On 1 January 2018, IFRS 9 "Financial instruments" replaced IAS 39, changing the classification and measurement of financial instruments and the related impairment rules. One of the key changes of the new standard IFRS 9 is the calculation of lifetime expected credit losses of all performing exposures that show a "significant increase in credit risk" since initial recognition. The transition to IFRS 9 entailed the bank's revision of the estimation parameters used to calculate collective impairment losses on performing exposures and the definition of a "significant increase in credit risk" of performing exposures.

In line with regulations, every year the Bank updates the operational plan for managing NPLs. The "Cassa di Risparmio di Fermo's strategy for managing NPE" document presents the bank's NPE management strategy, which is firstly aimed at its optimisation, by maximising the present value of recoveries. The bank defined its strategy on the basis of an analysis of its operating ability, the market conditions and the characteristics of its NPE portfolio.

With reference to climate and environmental risks, the Bank is committed to integrating ESG factors within its corporate processes, also in consideration of supervisory expectations with reference to climate and environmental risks. The Bank continued with projects in the ESG area during 2023, involving all the main corporate departments. In this sense, recall that on 23 May 2023 the Executive Committee accepted the proposal to acquire ESG scores for companies the Bank has lent to, in line with the Bank's ESG Plan for 2023-2025 which calls for the expansion of this type of information. Please see the Report on Operations for more details.

The bank and its bodies encourage the circulation and development of a cross-the-board risk culture and employee training about the issue. Accordingly, it provided the internal bodies with information about new legislation that affects the bank's operations, showing the bank's compliance and any necessary actions.

Qualitative disclosure

1. General aspects

In line with its mission, the bank focuses on extending credit to households and SMEs, with products designed to help develop production activities. Its natural inclination towards promoting loans to SMEs is facilitated by its partnership with the underwriting syndicates, especially with those supervised by Bank of Italy. Although it privileges its local social and economic environment, the bank also builds up its customer portfolio in areas where it has a smaller base, partly to mitigate its risks.

The bank is careful when granting and monitoring credit that it does not build up risk concentrations in one sector or industry or, with respect to households, in certain age brackets.

The bank has a policy of ongoing improvement to safeguard both the debtors and their families as well as itself, covering product efficiency, insurance policies for pure risk with cover for death, invalidity and dismissals.

2. Credit risk management policies

2.1 Organisational aspects

Credit risk is the most significant risk for the bank and is the risk of losses due to the non-payment or partial payment of principal, interest or other amounts by the debtor (ordinary and institutional customers). Credit risk includes counterparty risk, i.e., the risk that the counterparty to a transaction involving certain financial instruments defaults before the transaction is settled.

The unit which decides and organises the management of credit risk has different operating powers, depending on whether it is located at the branches/agencies or the head office (board of directors, executive committee, general manager, managing director, Loans Unit, Loans Office, Loan Monitoring Unit, NPE Office and Legal Affairs and Litigation Office). Each level is defined considering the overall risk assessment of each customer and potential connected customers, the type of credit, the direct and indirect exposure and type of guarantee.

The credit management process involves the following head office units:

- **Loans Unit:** coordinates implementation of credit guidelines and strategies, participating in the definition of credit strategy guidelines, as well as guidelines on the Bank's credit risk appetite and management. It guarantees the quality of the credit granted, authorising the same within the extent of its responsibilities and monitoring the Bank's credit risk appetite and management. It monitors the evolution of the Bank's credit portfolio quality, promoting implementation of corrective actions to guarantee credit quality.
- **Loan Office:** supports development within the local area in synergy with the Commercial Unit, ensuring consistency between risk management and the use of credit instruments. Oversees the governance of the credit risk process, namely the activities involving the assumption, management and monitoring of that risk. In the assumption and management of risk, examines and assesses the lending proposals sent by the branches/agencies, authorising them directly if within the limits of their delegated powers, or reporting them to the superior decision-making bodies, supporting their decisions. In the control phase, constantly monitors positions exposed to risk, promptly reporting any impairment and suggesting all necessary actions to protect the position. Helps to distribute credit expertise, both by collaborating with the various units of the bank in the analysis and interpretation of relevant credit legislation and by providing the network with training and specialist consulting.
- **Credit Monitoring Office,** reporting to the Loans Unit, is mainly responsible for ensuring proper classification of loans, ensuring that all actors responsible for governing this risk work properly and promptly, activating all actions needed for protection in a timely manner and playing a secondary first level control role for credit risk. It monitors positions exposed to risk, promptly identifying impairment and proposing the actions deemed necessary.
- **Impaired Credit Management Office:** cooperates to establish credit processes to improve credit risk management, working to support the dissemination of a shared risk management language. The Office supports the identification of formalised opportunities for coordination, to plan activities both for top level management and the network in relation to the results of management activities for the relative positions, with the aim of identifying and sharing remedial actions. It cooperates with corporate control units to develop control methods consistent with corporate strategies and operations. It manages impaired loans classified as unlikely to pay (UTP) or past due impaired, implementing all management activities deemed expedient to protect the amounts due to the Bank. It promptly informs Credit Monitoring of performing cases and positions for which, due to information in the Office's position, it has deemed it appropriate to adopt provisions to contain risk and possible precautionary measures.
- **Legal Affairs and Litigation Office**: manages bad exposures and litigation. Analyses bad exposures to identify the appropriate actions to be taken. Manages insolvency and exposure recovery, by preparing restructuring plans intended to guarantee the extinguishment of bad exposures. Prepares out-of-court or judicial settlement deeds, possibly together with the appointed outside counsel, following dispute settlement.

- **Risk Management Unit**: assesses and develops credit risk measurement methodologies in line with best practices; carries out static and dynamic analyses of the exposure portfolio's risk profile and reports thereon every quarter and month to the internal bodies and bank risk monitoring units. Analyses trends in the exposures and regularly checks that they are classified and provided for correctly.
- **Compliance and Privacy Unit**: analyses credit management procedures and processes within its remit, in addition to related contracts to check compliance with current legislation.
- **Inspection and Internal Audit Office**: performs level 3 controls, including on-site, and checks the bank's regular operations and changes in risks; assesses the completeness, adequacy, working and reliability of the internal controls, informing the corporate bodies of any need for adjustment.

2.2 Management, measuring and control systems

In order to identify any deterioration in customers' credit standing in advance and to analyse trends, a new credit monitoring procedure was implemented from 2021. This procedure, as well as recognising signs of irregularity arising from different sectors (e.g. central credit register, internal performance data, damaging news, etc.), uses numerous financial statement triggers that make it possible to catch any underlying risks even in the absence of irregularities in performance. The procedure supports the network, and in particular the new company units in charge of credit performance control, including: early management, the anomalous loan manager and the Loan Monitoring Unit.

In particular, Early Management aims to identify in the context of performing exposures, the positions liable for forbearance measures and to subsequently monitor them, predicting their deterioration, while the anomalous loan manager is tasked with supporting the network in the identification of the actions to be taken to resolve the signs of irregularity highlighted, and to limit the deterioration of the loan in general.

Finally, from 2021 the Loan Monitoring Unit was established with the task of overseeing the correct classification of lending at all stages, with the exception of bad exposures, ensuring that all players in charge of governing this risk act correctly and promptly by activating all the necessary actions to protect it and assuming a role of first level, second instance control over credit risk.

During 2023, the Credit Monitoring Office analysed a sample of companies which have received loans in the construction sector, following various regulatory changes with consequent problems associated with the granting of tax credits. It also analysed a sample of loan customers classified as households, with the aim of identifying counterparties more vulnerable to increases in interest rates and inflation and evaluate possible preventive actions to implement to avoid consequent impairment.

The analysis was done with assistance from branches, using guided questionnaires, a now well-tested instrument that makes it possible to rapidly obtain up to date customers information, with the aim of adopting targeted actions to review creditworthiness and/or any needed actions to contain credit risk.

The bank also uses a specific procedure called credit position control (CPC) which gives each borrower a score. The CPC is used to monitor customers' behaviour in order to identify any loan deterioration on a timely basis using diagnostic tools. The risk management unit uses this data and prepares periodic reports on the CPC for the company bodies.

Quarterly reports analysing the entire portfolio's risk and additional in-depth analyses by business and geographical segment are prepared for the board of directors. This report assesses compliance with the main internal limits, monitors the capital absorption of risks assumed and analyses large exposures.

The data coming from the internal rating system (SARa application) was also used for credit monitoring. The system is based on 2 PD estimate models (one for businesses and one for households), dividing customers into three main segments (Corporate, SME retail and Retail) and classifying counterparties using a scale of ten classes, consisting of nine for performing counterparties (AAA, AA, A, BBB, BB, B CCC, CC and C) and one for defaulting counterparties (D). Based on this data, Risk Management periodically evaluates the overall risk level of the Bank's credit portfolio.

The internal rating system has also been included in the loan disbursement process, amending the related "delegated powers". Specifically, when positions are rated as CCC or below, the loan approval powers are automatically transferred to general management and are exercised by no lower than the head of the Loans Office.

The Risk Management Unit checks compliance with the limits and ceilings for credit quality, counterparty concentration and concentration by product every quarter.

The Risk Management Unit also performs stress tests on the capital requirement for credit and counterparty risk, including quantification, in terms of additional capital, of sensitivity to three risk factors:

1. counterparty credit worthiness;
2. exposure impairment rate;
3. acceptability as credit risk mitigation tools.

The stress test results are included in the quarterly reports.

As required by the bank's strategy for managing NPE, the Risk Management Unit carries out quarterly checks of actual results and the application of non-performing exposure management. It reports the results of its quarterly checks to the bank's internal bodies.

2.3 Measurement of expected credit losses

Assessment of the significant increase in credit risk (SICR)

At 31 December 2023 no additional staging criteria were identified with respect to that indicated in the following paragraph and established in the Bank's internal regulations.

Measurement of expected losses

IFRS 9 requires that in-scope financial instruments be classified into three stages. The three stages reflect the impairment level of the credit quality:

- stage 1: financial instruments whose credit risk has not significantly increased since initial recognition or with a low credit risk at the reporting date;
- stage 2: financial instruments whose credit risk has increased significantly since initial recognition, but for which there is no objective evidence of impairment;
- stage 3: financial assets with objective evidence of impairment at the reporting date (NPE).

As part of its policy for managing loans and receivables with customers, the bank adopted rules and processes for monitoring relations, which led, among other things, to a structured classification of them into standardised risk categories (stages), taking into consideration, as mentioned, the particular context of macroeconomic uncertainty.

The bank defined the "significant increase in credit risk", i.e., when a financial asset should be classified into Stage 2, by considering certain indicators, such as a worsening in the counterparty's internal rating, a deterioration in the internal score, the number of ongoing past due/overdrawn days and any forbearance measures. During 2023, following the update to the rating model, the Bank recalibrated its staging criteria, increasing by one notch the change in rating established for exposures transferred to stage 2.

The above rules to reclassify performing exposures from Stage 1 to Stage 2 are used within a model prepared in collaboration with the IT outsourcer.

The bank estimated ECL considering forward-looking information, including macroeconomic information.

As required by law, the expected credit losses are calculated on the basis of 3 possible scenarios weighted to reflect an objective amount in relation to their different probabilities of occurrence. At 31 December 2023, the impairment model only made use of the adverse scenario, with 100% probability of occurrence, given the prospective macroeconomic situation which includes significant uncertainty linked to the various external factors cited previously.

It identifies its NPE to be classified as stage 3 in accordance with the definitions and non-performing categories provided for by Bank of Italy's requirements set out in Chapter II "Credit quality") of Circular no. 272 "Accounts matrix". These exposures are subject to a measurement process according to Part A of the Accounting Policies.

2.4 Credit risk mitigation techniques

The Bank uses credit risk mitigation techniques and tools, the classification and utilisation of which are set out in the "Collateral evaluation policy" approved by the Board of Directors on 29 April 2022.
Without prejudice to the fact that loan disbursement must essentially be based on evaluating the income capacity of the relevant entity, it is particularly important to acquire additional instruments that help to reduce eventual losses for the Bank in the case of counterparty default.

Instruments used to attenuate credit and counterparty risk are essentially represented by collateral and personal guarantees. The bank obtains acceptable guarantees, such as CRM tools, on a preferential basis, without waiving those without these requirements as additional protection of credit; Important mitigating factors are collateral, mainly consisting of pledges of highly liquid financial assets and mortgages on residential property. Other mitigating guarantees are mortgages on non-residential property, personal guarantees depending on the guarantor's standing and pledges of financial assets other than government bonds.

Management of guarantees with reference to loans granted is the responsibility of the Bank's Credit Office supported, with reference to verification, activation and filing activities, by the external company Caricese.
In accordance with the supervisory regulations and with respect to exposures guaranteed by property, the bank has systems which monitor the property's value on a statistical basis and operating procedures to check its actual value.

The "Collateral evaluation policy" also governs the methods used to evaluate real estate and moveable asset collateral, internal organisational aspects and monitoring and reassessment of guarantees.

The bank did not have credit derivatives at the reporting date.

3. Credit-impaired exposures

3.1 Management policies and strategies

Cassa di Risparmio di Fermo's strategy for managing NPE (non-performing exposures) is firstly aimed at its optimisation, by maximising the present value of recoveries. The bank defined its strategy on the basis of an analysis of its operating ability, the market conditions and the characteristics of its NPE portfolio.

By identifying the optimum combination of various possible actions for the recovery and/or reclassification as performing, the NPE operational plan has defined the trend of the bank's NPE for the 2024-2026 period. The Strategy is based on the following: continuous strengthening of the monitoring processes for performing loans and creditworthiness selectivity; improvement of the NPL ratio indicators; maintaining adequate collection levels for impaired loans, reducing collection times and maintaining adequate coverage levels for NPLs.

The periodic monitoring of the qualitative and quantitative objectives set out by the operational plan is conducted by the competent functions. Every quarter, the Risk Management Unit verifies the effective application of the company policies, preparing reports for the internal bodies. In the event of substantial deviations from the pre-established targets capable of preventing the achievement of those objectives, an assessment is made of which measures to take and any integrations to the plan's strategies.

Management of the "past due" non-performing and "unlikely to pay" (UTP) financial assets is delegated to the NPE Office. "Bad exposures" is delegated to the Legal Affairs and Litigation Unit.

Utilising a specific IT procedure to monitor credit, information is acquired in terms of performance and anomalies coming from both internal sources (overdrafts, suspended cheques, items to be adjusted, etc.) and from external sources (Central Risk Database, CAI, external provider reports on prejudicial events, etc.). Based on this evidence and any notifications received from Branches/Agencies, as well as inspection reports or notices from the Risk Governance Office, after carrying out the necessary research, the relevant units determine the expediency of adopting provisions to contain risk and, when necessary, prepare documents so as to switch classification status (from performing to UTP, from UTP to impaired).

Classification as "unlikely to pay" derives from an opinion, not necessarily based exclusively on the aforementioned irregularities, related to the improbability that without recourse to measures such as the enforcement of guarantees, the debtor will comply fully with its obligations (capital and/or interest).

This classification is proposed, based on the parameters established in the "Credit Measurement and Classification Policy", through the Credit Monitoring Office and approved by the various decision-making bodies with relevant responsibilities.

Management of past due exposures or unlikely to pay exposures is carried out by the Impaired Credit Management Office and requires dialogue with the client, generally through the reference branch and, in situations involving significant amounts, complexity or conflict, also involve the relevant Hub manager. When necessary, the Impaired Credit Management Office Manager, assisted by local units, will meet directly with the counterparty.

These activities are intended to improve the actions implemented to normalise the positions, while impeding any worsening of impairment, returning the relation to current status and helping to minimise credit risk.

In cases in which, after the investigation process, the Bank wishes to extricate itself from the relation and the counterparty is in a definitive and irreversible state of crisis that will not allow for out of court settlements, even with a debt rescheduling agreement, the Impaired Credit Management Office begins activities to revoke the loan within the limits of the powers granted to the Office Manager, submitting any positions exceeding these limits to the Delegated Bodies. The post-revocation process must end by a deadline of 6 months.

The NPE Office manager also requests the relevant branch/agency officer for a periodic report on the position and examines the customer's financial statements and/or assets and income, to assess and decide whether to:

- maintain the position as unlikely to pay;
- propose the positions be reclassified as performing, when the original difficulties are overcome;
- classify the position as bad or to propose the position be classified as bad if it exceeds the amount of their proxies.

With respect to the requirements for preparation of annual and interim half year reports, the Impaired Credit Management Office checks all positions classified as unlikely to pay, non-performing past due and/or overdrawn. Based on a review of the customers' financial positions and their guarantees, the Office calculates the percentages to be used to determine the impairment losses and the recoverable amount, in line with the Credit Measurement and Classification Policy.

With respect to impaired positions, the Bank has outlined the management and monitoring activities for impaired loans in the Impaired Credit Management Regulations, while the Credit Monitoring Office's activities are governed through the Credit Monitoring Framework, which among other things is intended to identify the initial symptoms of credit impairment. Moreover, the intervention strategies described in the document "Cassa di Risparmio di Fermo's strategy for managing NPE" to reduce unlikely to pay and bad exposures and also include out-of-court activities through external credit collection agencies and legal advisors and the factoring of a portion of the NPE portfolio.

3.2 Write-offs

Based on the amount involved and their relevant powers, the heads of the Organisation and Legal Affairs department, Legal Affairs and Litigation Office and Problem Loans Office and senior management may transfer positions for which a loss is expected to the "credit loss account". Positions are written off (entirely or partially) when they are considered to be irrecoverable due to new events, such as winding ups, unsuccessful enforcement procedures and unsuccessful out-of- court recovery attempts of amounts due from borrowers lacking "foreclosable assets".

3.3 Purchased or originated credit-impaired exposures

The bank did not purchase credit-impaired exposures, nor did they originate internally.

4. Financial assets subject to renegotiations for commercial reasons and forbearance measures

The seventh update of circular no. 272 of 20 January 2015 updated the classification of loans and receivables, based on the definitions of non-performing exposures and forbearance introduced by the implementing technical standards (ITS) defined by the EBA. These new definitions have required a number of adjustments to internal processes and regulations, including the board of directors' approval of the "Credit Measurement and Classification Policy" (last updated on 22 December 2023), which manages the processes to classify and measure loans and receivables, the concepts of performing, non-performing, forbearance, financial difficulties and the default detection parameters.

Forborne exposures (contract modifications or refinancing) are those with borrowers facing financial difficulties whose contractual terms the bank has agreed to modify solely because of such financial difficulties, regardless of their classification as non-performing or the counterparty's default.

Forbearance measures are applied to counterparties that, on the basis of the assessment of their repayment ability, may be reclassified as performing or repay the debt through forbearance measures. These measures are implemented in the following ways:

- reorganisation of the duration of the financing (e.g. transformation from short- to medium- or long-term or extension of the plans to medium- or long-term);
- definition of rescheduling plans for withdrawn or past due exposures;
- renegotiation of the interest rate combined with the above measures;
- total or partial refinancing of the debt.

The Loans Monitoring Unit continuously monitors the effectiveness of the measures applied in order to verify the effective improvement of the exposure.

The definition of forborne exposures does not include contractual amendments or renegotiations for commercial reasons/practices only.

The total stock of forborne exposures relative to clients came to € 39.7 million at 31 December 2023 in terms of gross exposure. This includes forborne exposures relative to performing counterparts for € 22.0 million. The non-performing forborne exposures include bad exposures for € 8.2 million, unlikely to pay for € 9.4 million and non-performing past due for € 135 thousand.

Quantitative disclosure

A. Credit quality

A.1 Non-performing and performing exposures: carrying amount, impairment losses, performance and business breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

Portfolio/quality	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures	Performing past due exposures	Performing assets	Total
1. Financial assets at amortised cost	15,221	10,883	767	4,842	1,457,090	**1,488,803**
2. Financial assets at fair value through other comprehensive income	-	-	-	-	583,483	**583,483**
3. Financial assets designated at fair value	-	-	-	-	-	**-**
4. Other financial assets mandatorily measured at fair value	-	-	-	-	8	**8**
5. Financial assets held for sale	-	-	-	-	-	**-**
Total 31/12/2023	**15,221**	**10,883**	**767**	**4,842**	**2,040,581**	**2,072,294**
Total 31/12/2022	**21,400**	**16,750**	**385**	**4,191**	**2,324,562**	**2,367,288**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

Portfolio/quality	Non-performing exposures				Performing			Total (carrying amount)
	Gross amount	Total impairment	Carrying amount	Partial/total write-offs	Gross amount	Total impairment	Carrying amount	
1. Financial assets at amortised cost	68,590	41,720	26,870	9,488	1,476,185	14,253	1,461,932	1,488,802
2.Financial assets at fair value through other comprehensive income	-	-	-	-	583,626	144	583,483	583,483
3. Financial assets designated at fair value	-	-	-	-			-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-			8	8
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31/12/2023	**68,590**	**41,720**	**26,870**	**9,488**	**2,059,811**	**14,397**	**2,045,423**	**2,072,293**
Total 31/12/2022	**101,574**	**63,038**	**38,536**	**4,855**	**2,342,931**	**14,177**	**2,328,754**	**2,367,290**

Partial write-offs of non-performing exposures totalled € 9,488 thousand.

It had 7 bad exposures under deed of arrangement at 31 December 2023 (€ 604 thousand gross).

Four positions, for a gross amount of € 82 thousand, classified as bad exposures in 2022, were wound up in 2023.

During the current financial year, no position under deed of arrangement was classified as a bad exposure, previously classified as unlikely to pay.

The unlikely to pay exposures at 31 December 2023 include:

- 5 positions under deed of arrangement (€ 936 thousand);
- one position under deed of arrangement, currently in the probation period (€ 1,347 thousand).

Portfolio/quality	Assets with poor credit quality		Other assets
	Accumulated losses	Carrying amount	Carrying amount
1. Financial assets held for trading	-	-	159,278
2. Hedging derivatives	-	-	-
Total 31/12/2023	**-**	**-**	**159,278**
Total 31/12/2022	**-**	**-**	**168,752**

A.1.3 Breakdown of financial assets by past due bracket (carrying amounts)

Portfolio / Risk stage	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	From 1 to 30 days	After 30 to 90 days	After 90 days	Up to 30 days	After 30 to 90 days	After 90 days	Up to 30 days	After 30 to 90 days	After 90 days	Up to 30 days	After 30 to 90 days	After 90 days
1. Financial assets at amortised cost	1,337	5	2	1,262	2,163	72	104	2,483	18,892	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 31/12/2023	**1,337**	**5**	**2**	**1,262**	**2,163**	**72**	**104**	**2,483**	**18,892**	**-**	**-**	**-**
Total 31/12/2022	**702**	**13**	**-**	**933**	**2,513**	**30**	**103**	**1,686**	**29,424**	**-**	**-**	**-**

A.1.4 Financial assets, loan commitments and financial guarantees given: total impairment losses and provisioning

Reason / Risk stage	Total impairment																							Total provisioning on loan commitments and financial guarantees given				Total
	Assets classified to Stage 1						Assets classified to Stage 2						Assets classified to Stage 3						Purchased or originated credit-impaired exposures									
	Loans and receivables with banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Loans and receivables with banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Loans and receivables with banks and central banks on demand	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets held for sale	of which: individual impairment	of which: collective impairment	Stage 1	Stage 2	Stage 3	Loan commitments and purchased or originated credit-impaired financial guarantees given	
Opening balance	**7**	**5,270**	**179**	**-**	**164**	**5,106**	**3**	**8,728**	**-**	**-**	**-**	**8,728**	**-**	**63,038**	**-**	**-**	**63,038**	**-**	**-**	**-**	**-**	**-**	**-**	**92**	**29**	**78**	**-**	**77,424**
Increase in purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cancellations other than write-offs	-	-28	-62	-	-28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-90
Net impairment losses (gains) for credit risk (+/-)	1	-2,426	27	-	-1	-2,425	-3	2,709	-	-	-	2,709	-	-3,998	-	-	-3,998	-	-	-	-	-	-	-57	-20	503	-	-3,264
Modification losses (gains)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs not directly recognised in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-10,023	-	-	-10,023	-	-	-	-	-	-	-	-	-	-	-10,023
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-7,296	-	-	-7,296	-	-	-	-	-	-	-	-	-	-	-7,296
Closing balance	**8**	**2,816**	**144**	**-**	**135**	**2,681**	**-**	**11,437**	**-**	**-**	**-**	**11,437**	**-**	**41,721**	**-**	**-**	**41,721**	**-**	**-**	**-**	**-**	**-**	**-**	**35**	**9**	**581**	**-**	**56,751**
Collections of written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	172	-	-	172	-	-	-	-	-	-	-	-	-	-	172
Write-offs recognised directly in profit or loss	-	-	-	-	-	-	-	8	-	-	-	-	-	3,046	-	-	3,046	-	-	-	-	-	-	-	-	-	-	3,054

Financial assets at amortised cost represented by loans to customers, in stage 1 and stage 2, were subject to collective measurement utilising forward looking models, to calculate ECL at one year for stage 1 and lifetime ECL for stage 2. The figure for individual impairment refers to impairment of HTC securities in the Bank's portfolio.

With the resolution of 27 March 2018, the board of directors defined the "significant increase in credit risk", i.e., when a financial asset should be classified into stage 2, by considering certain indicators, such as a worsening in the counterparty's internal rating, a deterioration in the internal score, the number of ongoing past due/overdrawn days and any forbearance measures. On 20 January 2023, the Board of Directors updated these criteria, which were utilised in the annual financial statements at 31 December 2023, without any significant impacts in terms of stage 1 and stage 2 classification of non-impaired credit exposures.

Stage 3 financial assets have been assessed individually, also considering the relevant guarantees.

A.1.5 Financial assets, loan commitments and financial guarantees given: transfers among the various credit risk stages (gross and nominal amounts)

Portfolio / Risk stage	Gross/nominal amounts					
	Transfer between stages 1 and 2		Transfer between stages 2 and 3		Transfer between stages 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets at amortised cost	96,800	37,751	4,736	621	3,635	307
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Loan commitments and financial guarantees given	10,482	25,246	592	169	630	10
Total 31/12/2023	**107,282**	**62,997**	**5,328**	**790**	**4,265**	**317**
Total 31/12/2022	**116,592**	**71,586**	**6,375**	**2,979**	**2,863**	**686**

A.1.5a Financing subject to COVID-19 support measures: transfers among the various credit risk stages (gross amounts)

Portfolio / Risk stage	Gross/nominal amounts					
	Transfer between stages 1 and 2		Transfer between stages 2 and 3		Transfer between stages 1 and 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Financing at amortised cost	**9,607**	**4,485**	**526**	**-**	**610**	**24**
A.1 subject to forbearance compliant with the GLs	-	-	-	-	-	-
A.2 financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-
A.3 subject to other forbearance measures	-	-	-	-	-	-
A.4 new financing	9,607	4,485	526	-	610	24
B. Financing at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to forbearance compliant with the GLs	-	-	-	-	-	-
B.2 financing subject to existing moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-
B.3 subject to other forbearance measures	-	-	-	-	-	-
B.4 new financing	-	-	-	-	-	-
Total 31/12/2023	**9,607**	**4,485**	**526**	**-**	**610**	**24**
Total 31/12/2022	**13,698**	**6,082**	**815**	**-**	**600**	**73**

A.1.6. On- and off-statement of financial position exposures with banks: gross and carrying amounts

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION EXPOSURES												
A.1 ON DEMAND	***13,385***	***13,385***	-	-	-	***8***	***8***	-	-	-	***13,377***	-
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	13,385	13,385	-		-	8	8	-		-	13,377	-
A.2 OTHER	***55,884***	***12,882***	-	-	-	-	-	-	-	-	***55,884***	-
a) Bad exposures	-		-	-	-	-		-	-	-	-	-
- including: forborne exposures	-		-	-	-	-		-	-	-	-	-
b) Unlikely to pay exposures	-		-	-	-	-		-	-	-	-	-
- including: forborne exposures	-		-	-	-	-		-	-	-	-	-
c) Non-performing past due exposures	-		-	-	-	-		-	-	-	-	-
- including: forborne exposures	-		-	-	-	-		-	-	-	-	-
d) Performing past due exposures	-	-	-		-	-	-	-		-	-	-
- including: forborne exposures	-	-	-		-	-	-	-		-	-	-
e) Other performing exposures	55,884	12,882	-		-	-	-	-		-	55,884	-
- including: forborne exposures	-	-	-		-	-	-	-		-	-	-
TOTAL A	**69,269**	**26,267**	-	-	-	**8**	**8**	-	-	-	**69,261**	-
B. OFF-STATEMENT OF FINANCIAL POSITION											-	
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	6,144	5,285	-		-	16	16	-		-	6,128	-
TOTAL B	**6,144**	**5,285**	-	-	-	**16**	**16**	-	-	-	**6,128**	-
TOTAL A + B	**75,413**	**31,552**	-	-	-	**24**	**24**	-	-	-	**75,389**	-

The amounts shown in item "B. OFF-STATEMENT OF FINANCIAL POSITION - a) Non-performing exposures" and "b) Performing exposures" are broken down in the following table for their better presentation:

A.1.6.1 Breakdown of off-statement exposures with banks

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
a.1) Non-performing exposures	-		-	-	-	-		-	-	-	-	-
b) Performing exposures	***6,144***	***5,285***	-		-	***16***	***16***	-		-	***6,128***	-
b.1) Deposits for repos	-	-	-		-	-	-	-		-	-	-
b.2) Interbank Deposit Protection Fund (FITD)	5,285	*5,285*	-		-	16	*16*	-		-	5,269	-
b.3) Commitment with CC.OO to purchase securities	-	-	-		-	-	-	-		-	-	-
b.4) Interest rate derivatives	165	-	-		-	-	-	-		-	165	-
b.5) Currency forwards	694	-	-		-	-	-	-		-	694	-
TOTAL B	**6,144**	**5,285**	-	-	-	**16**	**16**	-	-	-	**6,128**	-

A.1.7 On- and off-statement of financial position exposures with customers: gross and carrying amounts

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-STATEMENT OF FINANCIAL POSITION												
a) Bad exposures	44,390		-	44,390	-	29,169		-	29,169	-	15,221	9,488
- including: forborne exposures	*8,165*		-	*8,165*	-	*5,277*		-	*5,277*	-	*2,888*	*4,691*
b) Unlikely to pay exposures	23,112		-	23,112	-	12,230		-	12,230	-	10,882	-
- including: forborne exposures	*9,356*		-	*9,356*	-	*5,083*		-	*5,083*	-	*4,273*	-
c) Non-performing past due exposures	1,088		-	1,088	-	322		-	322	-	766	-
- including: forborne exposures	*135*		-	*135*	-	*54*		-	*54*	-	*81*	-
d) Performing past due exposures	5,280	1,372	3,908		-	438	28	411		-	4,842	-
- including: forborne exposures	*63*	-	*63*		-	*12*	-	*12*		-	*51*	-
e) Other performing exposures	2,157,047	1,818,252	223,398		-	13,958	2,932	11,026		-	2,143,089	-
- including: forborne exposures	*21,940*	-	*21,940*		-	*1,251*	-	*1,251*		-	*20,689*	-
TOTAL A	**2,230,917**	**1,819,624**	**227,306**	**68,590**	**-**	**56,117**	**2,960**	**11,437**	**41,721**	**-**	**2,174,800**	**9,488**
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	6,406		-	6,406	-	581		-	581	-	*5,825*	-
b) Performing exposures	*613,469*	*590,576*	*22,867*		-	*28*	*19*	*9*		-	613,441	-
TOTAL B	**619,875**	**590,576**	**22,867**	**6,406**	**-**	**609**	**19**	**9**	**581**	**-**	**619,266**	**-**
TOTAL A + B	**2,850,792**	**2,410,200**	**250,173**	**74,996**	**-**	**56,726**	**2,979**	**11,446**	**42,302**	**-**	**2,794,066**	**9,488**

Also for this statement, the amounts shown in item "B. OFF-STATEMENT OF FINANCIAL POSITION - a) Non-performing exposures" and "b) Performing exposures" are broken down in the following table for their better presentation:

A.1.7.1 Breakdown of off-statement exposures with customers

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
B. OFF-STATEMENT OF FINANCIAL POSITION												
a) Non-performing exposures	***6,406***		**-**	***6,406***	**-**	***581***		**-**	***581***	**-**	***5,825***	**-**
a.1) Financial endorsement credits	-		-	-	-	-		-	-	-	-	-
a.2) Commercial endorsement credits	584		-	584	-	581		-	581	-	3	-
a.3) Commitments of uncertain use	5,822		-	5,822	-	-		-	-	-	*5,822*	-
b) Performing exposures	***613,469***	***590,576***	***22,867***		**-**	***28***	***19***	***9***		**-**	***613,441***	**-**
b.1) Financial endorsement credits	366	316	50		-	1	-	-		-	365	-
b.2) Commercial endorsement credits	16,640	15,481	1,159		-	12	5	7		-	16,628	-
b.3) Commitments of uncertain use	595,805	574,147	21,658		-	13	12	2		-	595,792	-
b.4) Financing for repos	-	-	-		-	-	-	-		-	-	-
b.5) Commitment with II.CC to purchase securities issued by CC.OO.	-	-	-		-	-	-	-		-	-	-
b.6) Interest rate derivatives and forwards	-	-	-		-	-	-	-		-	-	-
b.7) Currency forwards	26	-	-		-	-	-	-		-	26	-
b.8) Risks associated with SFTs (repos)	-	-	-		-	-	-	-		-	-	-
b.9) Interbank Deposit Protection Fund - voluntary scheme	632	632	-		-	2	2	-		-	630	-
TOTAL B	**619,875**	**590,576**	**22,867**	**6,406**	**-**	**609**	**19**	**9**	**581**	**-**	**619,266**	**-**

A.1.7a Financing subject COVID-19 support measures: gross and carrying amounts

Exposure / Amount	Gross amount					Total impairment losses and accruals					Carrying amount	Partial/total write-offs
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. NON-PERFORMING FINANCING	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY FINANCING	**2,413**	**-**	**-**	**2,413**	**-**	**1,050**	**-**	**-**	**1,050**	**-**	**1,363**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	2,413	-	-	2,413	-	1,050	-	-	1,050	-	1,363	-
C) NON-PERFORMING PAST DUE FINANCING	**139**	**-**	**-**	**139**	**-**	**20**	**-**	**-**	**20**	**-**	**119**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	139	-	-	139	-	20	-	-	20	-	119	-
D) PERFORMING PAST DUE FINANCING	**384**	**114**	**270**	**-**	**-**	**46**	**5**	**41**	**-**	**-**	**338**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	384	114	270	-	-	46	5	41	-	-	338	-
E) OTHER PERFORMING FINANCING	**141,965**	**123,775**	**18,190**	**-**	**-**	**1,125**	**335**	**790**	**-**	**-**	**140,840**	**-**
a) Subject to forbearance compliant with the GLs	-	-	-	-	-	-	-	-	-	-	-	-
b) Subject to moratoria measures no longer compliant with the GLs and not valued as subject to forbearance	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New financing	141,965	123,775	18,190	-	-	1,125	335	790	-	-	140,840	-
TOTAL A + B + C + D + E	**144,901**	**123,889**	**18,460**	**2,552**	**-**	**2,241**	**340**	**831**	**1,070**	**-**	**142,660**	**-**

A.1.8 On-statement of financial position exposures with banks: gross non-performing positions

The table is not shown in these financial statements since there are no credit-impaired exposures with banks.

A.1.8-bis On-statement of financial position exposures with banks: gross forborne exposures broken down by credit quality

As a result of the information described in the previous section, this table is not shown either.

A.1.9 On-statement of financial position exposures with customers: gross non-performing positions

Reason/Category	Bad exposures	Unlikely to pay exposures	Non-performing past due exposures
A. Gross opening balance	**67,291**	**33,830**	**453**
- including: exposures transferred but not derecognised	-	-	-
B. Increases	**4,197**	**10,112**	**1,119**
B.1 from performing exposures	655	7,340	950
B.2 from purchased or originated credit-impaired exposures	-	-	-
B.3 transfers from other non-performing categories	2,941	175	103
B.4 modification gains	-	-	-
B.5 other increases	601	2,597	66
C. Decreases	**27,098**	**20,830**	**484**
C.1 transfers to performing exposures	-	8,101	73
C.2 write-offs	8,859	44	-
C.3 collections	5,689	9,646	231
C.4 sales	3,340	-	-
C.5 losses on sales	904	-	-
C.6 transfers to other non-performing categories	-	3,039	180
C.7 modification gains	-	-	-
C.8 Other decreases	8,306	-	-
D. Gross closing balance	**44,390**	**23,112**	**1,088**
- including: exposures transferred but not derecognised	-	-	-

Item “C.5 losses on sales” in the NPE column refers to losses incurred on sales of loans through the securitisation “Luzzatti POP NPLs 2023”.
Again in the NPE column, item “C.8 other decreases” includes, in relation to the cited securitisation, the use of the provision for impairment:

1) for losses equal to € 7,944 thousand;
2) for writebacks from collections equal to € 282 thousand;
3) for IAS interest accrued on sold positions equal to € 80 thousand.

A.1.9-bis On-statement of financial position exposures with customers: gross forborne exposures broken down by credit quality

Reason/Quality	Performing forborne exposures	Other forborne exposures
A. Gross opening balance	**25,314**	**26,680**
- including: exposures transferred but not derecognised	-	-
B. Increases	**3,847**	**11,407**
B.1 transfers from performing exposures not subject to forbearance	846	10,092
B.2 transfers from performing forborne exposures	753	
B.3 transfers from performing forborne exposures		663
B.4 transfers from non-performing exposures not subject to forbearance measures	-	-
B.5 other increases	2,248	652
C. Decreases	**11,505**	**16,084**
C.1 transfers to performing exposures not subject to forbearance		4,855
C.2 transfers to performing forborne exposures	663	
C.3 transfers to non-performing forborne exposures		753
C.4 cancellations	2,633	-
C.5 collections	4,419	10,476
C.6 sales	91	-
C.7 losses on sales	123	-
C.8 other decreases	3,576	-
D. Gross closing balance	**17,656**	**22,003**
- including: exposures transferred but not derecognised	-	-

A.1.10 On-statement of financial position non-performing exposures with banks: changes in total impairment

As a result of the information described in section A.1.8, the table is not shown because there are no valuations.

A.1.11 On-statement of financial position non-performing exposures with customers: changes in total impairment

Reason/Category	Bad exposures		Unlikely to pay exposures		Non-performing past due exposures	
	Total	Including: forborne exposures	Total	Including: forborne exposures	Total	Including: forborne exposures
A. Opening balance	**45,890**	**8,287**	**17,080**	**5,287**	**68**	**5**
- including: exposures transferred but not derecognised	-	-	-	-	-	-
B. Increases	**5,640**	**990**	**5,845**	**1,780**	**320**	**54**
B.1 impairment losses from purchased or originated credit-impaired financial assets	-		-		-	
B.2 other impairment losses	3,212	848	5,813	1,776	320	54
B.3 losses on sales	904	-	-	-	-	-
B.4 transfers from other non-performing categories	1,418	142	32	4	-	-
B.5 modification gains	-	-	-	-	-	-
B.6 other increases	106	-	-	-	-	-
C. Decreases	**22,361**	**4,000**	**10,695**	**1,984**	**66**	**5**
C.1 impairment gains from valuation	1,174	194	7,726	1,598	14	-
C.2 impairment gains from collection	2,902	1,078	1,508	208	19	1
C.3 gains on sales	-	-	-	-	-	-
C.4 write-offs	9,979	2,728	44	-	-	-
C.5 transfers to other non-performing categories	-	-	1,417	142	33	4
C.6 modification gains	-	-	-	-	-	-
C.7 other decreases	8,306	-	-	36	-	-
D. Closing balance	**29,169**	**5,277**	**12,230**	**5,083**	**322**	**54**
- including: exposures transferred but not derecognised	-	-	-	-	-	-

Item "B.3 losses on sales" in the NPE - Total column refers to losses incurred on sales of loans through the securitisation "Luzzatti POP NPLs 2023".
Again in the NPE - Total column, item "C.7 other decreases" includes, in relation to the cited securitisation, the use of the provision for impairment:

1) for losses equal to € 7,944 thousand;
2) for writebacks from collections equal to € 282 thousand;
3) for IAS interest accrued on sold positions equal to € 80 thousand.

A.2 Classification of financial assets, loan commitments and financial guarantees given based on external and internal rating class

A.2.1 Breakdown of financial assets, loan commitments and financial guarantees given by external rating class (gross amounts)

Moody's provides the external ratings in accordance with the ECAI used to calculate the capital requirements for credit risk on exposures with governments and supervised intermediaries.

The exposure with externally-rated ordinary customers on and off-statement of financial position is negligible.

The exposure with institutional and banking counterparties has the rating shown in the following table:

Exposures	External rating class						No rating	Total
	AAA/AA-	A+/A-	BBB+/BBB	BB+/BB-	B+/B-	Lower than B		
A. Financial assets at amortised cost	**-**	**-**	**419,182**	**-**	**-**	**2,958**	**1,122,636**	**1,544,776**
- Stage 1	-	-	364,452	-	-	2,958	881,469	1,248,879
- Stage 2	-	-	54,730	-	-	-	172,576	227,306
- Stage 3	-	-	-	-	-	-	68,591	68,591
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
B. Financial assets at fair value through other comprehensive income	**-**	**-**	**583,626**	**-**	**-**	**-**	**-**	**583,626**
- Stage 1	-	-	583,626	-	-	-	-	583,626
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**1,002,808**	**-**	**-**	**2,958**	**1,122,636**	**2,128,402**
D. Loan commitments and financial guarantees given	**-**	**-**	**18,425**	**-**	**-**	**2,000**	**604,708**	**625,133**
- Stage 1	-	-	18,425	-	-	2,000	575,435	595,860
- Stage 2	-	-	-	-	-	-	22,867	22,867
- Stage 3	-	-	-	-	-	-	6,406	6,406
- Purchased or originated credit-impaired	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**18,425**	**-**	**-**	**2,000**	**604,708**	**625,133**
Total (A + B + C + D)	**-**	**-**	**1,021,233**	**-**	**-**	**4,958**	**1,727,344**	**2,753,535**

A.2.2 Breakdown of financial assets, loan commitments and financial guarantees given by internal rating class (gross amounts)

The bank has decided not to use internal rating systems.

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.2 On- and off-statement of financial position guaranteed credit exposures with customers

Tax base / Amount	Gross amount	Carrying amount	Collateral (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives					Endorsement credits				
								Other derivatives								
			Mortgaged property	Financing for leased property	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Public administrations	Banks	Other financial companies	Other	
1. Guaranteed exposures:	**973,235**	**924,228**	**360,174**	**-**	**10,760**	**28,859**	**-**	**-**	**-**	**-**	**-**	**168,340**	**29,689**	**142,250**	**152,093**	**892,165**
1.1. fully guaranteed	824,971	778,157	359,125	-	9,648	28,260	-	-	-	-	-	86,308	24,118	125,971	144,728	778,158
- including: non-performing	*59,797*	*24,673*	*19,288*	-	-	*356*	-	-	-	-	-	*1,731*	*583*	*263*	*2,452*	*24,673*
1.2. Partly guaranteed	148,264	146,071	1,049	-	1,112	599	-	-	-	-	-	82,032	5,571	16,279	7,365	114,007
- including: non-performing	*2,458*	*1,202*	*4*	-	-	-	-	-	-	-	-	*771*	*314*	*45*	*10*	*1,144*
2. Off-statement of financial position guaranteed exposures:	**208,446**	**208,132**	**8,803**	**-**	**3,662**	**2,102**	**-**	**-**	**-**	**-**	**-**	**15,040**	**2,817**	**5,179**	**161,318**	**198,921**
2.1. fully guaranteed	181,995	181,682	8,541	-	3,024	1,693	-	-	-	-	-	8,993	2,044	5,163	152,224	181,682
- including: non-performing	*2,951*	*2,651*	*1,651*	-	-	-	-	-	-	-	-	*517*	*64*	*17*	*402*	*2,651*
2.2. Partly guaranteed	26,451	26,450	262	-	638	409	-	-	-	-	-	6,047	773	16	9,094	17,239
- including: non-performing	*205*	*205*	-	-	-	-	-	-	-	-	-	-	-	-	*204*	*204*

A.4 Financial and non-financial assets obtained through enforcement of guarantees received

Tax base / Amount	Derecognised exposure	Gross amount	Total impairment	Carrying amount	
					including: obtained during the year
A. Property, equipment and investment property	**2,013**	**571**	**64**	**507**	**-**
A.1. Used for operations	-	-	-	-	-
A.2. Investment	2,013	571	64	507	-
A.3. Inventories	-	-	-	-	-
B. Equity instruments and debt instruments	**-**	**-**	**-**	**-**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets held for sale and disposal groups	**-**	**-**	**-**	**-**	**-**
D.1. Property, equipment and investment property	-	-	-	-	-
D.2. Other assets	-	-	-	-	-
Total 12/2023	**2,013**	**571**	**64**	**507**	**-**
Total 12/2022	**2,013**	**571**	**47**	**524**	**-**

Item "A.2 Investment" in the above table indicates the value of a property allocated to the bank by the Court of Fermo, following the enforcement procedure concluded in 2019 and of another three properties allocated by the Court of Terni following another enforcement procedure.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURES

B.1 Breakdown of on- and off-statement of financial position exposures with customers by business segment

Exposure/Counterparty	Public administrations		Financial companies		Financial companies (including: insurance companies)	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position						
A.1 Bad exposures	-	-	39	295	-	-
- including: forborne exposures	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-
- including: forborne exposures	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-
- including: forborne exposures	-	-	-	-	-	-
A.4 Performing exposures	1,082,034	4,565	68,226	415	-	-
- including: forborne exposures	-	-	-	-	-	-
Total A	**1,082,034**	**4,565**	**68,265**	**710**	**-**	**-**
B. Off-statement of financial position						
B.1 Non-performing exposures	-	-	-	-	-	-
B.2 Performing exposures	77,624	8	29,720	4	93	-
Total B	**77,624**	**8**	**29,720**	**4**	**93**	**-**
Total (A + B) 31/12/2023	**1,159,658**	**4,573**	**97,985**	**714**	**93**	**-**
Total (A + B) 31/12/2022	**1,423,199**	**2,338**	**77,789**	**848**	**90**	**-**

Exposure/Counterparty	Non-financial companies		Households	
	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position				
A.1 Bad exposures	10,411	19,454	4,771	9,420
- including: forborne exposures	*1,248*	*3,155*	*1,640*	*2,122*
A.2 Unlikely to pay exposures	6,462	9,065	4,420	3,165
- including: forborne exposures	*1,954*	*3,283*	*2,319*	*1,800*
A.3 Non-performing past due exposures	88	43	678	279
- including: forborne exposures	-	*26*	*81*	*28*
A.4 Performing exposures	634,006	4,404	363,665	5,012
- including: forborne exposures	*14,548*	*890*	*6,192*	*373*
Total A	**650,967**	**32,966**	**373,534**	**17,876**
B. Off-statement of financial position				
B.1 Non-performing exposures	5,723	581	102	-
B.2 Performing exposures	450,328	13	55,770	4
Total B	**456,051**	**594**	**55,872**	**4**
Total (A + B) 31/12/2023	**1,107,018**	**33,560**	**429,406**	**17,880**
Total (A + B) 31/12/2022	**1,101,430**	**51,947**	**461,287**	**22,255**

Item "A.1 Bad exposures - including: forborne exposures" includes 130 positions, comprising both those with debt rescheduling agreements and those under deed of arrangement.

Item "A.2 Unlikely to pay exposures - including: forborne exposures" includes 119 positions subject to forbearance measures.

Item "A.3 Non-performing past due exposures - including: forborne exposures" includes 3 positions subject to forbearance measures.

Item "A.4 Performing exposures - including: forborne exposures" comprises 227 positions subject to forbearance measures.

The credit concentration risk is analysed in the directors' report.

B2 Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

Exposure/Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position										
A.1 Bad exposures	15,221	29,169	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	10,883	12,230	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	767	322	-	-	-	-	-	-	-	-
A.4 Performing exposures	2,058,738	14,396	63,854	-	17,026	-	2,824	-	5,488	-
Total A	**2,085,609**	**56,117**	**63,854**	**-**	**17,026**	**-**	**2,824**	**-**	**5,488**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	5,825	581	-	-	-	-	-	-	-	-
B.2 Performing exposures	613,434	28	8	-	-	-	-	-	-	-
Total B	**619,259**	**609**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) 31/12/2023	**2,704,868**	**56,726**	**63,862**	**-**	**17,026**	**-**	**2,824**	**-**	**5,488**	**-**
Total (A + B) 31/12/2022	**2,970,242**	**77,146**	**66,087**	**1**	**17,996**	**239**	**7,167**	**-**	**2,213**	**-**

B.2.1 Breakdown of on- and off-statement of financial position exposures with customers by geographical segment

Exposure/Geographic area	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position								
A.1 Bad exposures	381	1,775	-	2	14,418	25,824	422	1,568
A.2 Unlikely to pay exposures	62	46	25	13	10,234	11,567	561	604
A.3 Non-performing past due exposures	37	4	35	3	650	310	44	5
A.4 Performing exposures	62,785	423	28,217	176	1,847,273	12,951	120,464	845
Total A	**63,265**	**2,248**	**28,277**	**194**	**1,872,575**	**50,652**	**121,491**	**3,022**
B. Off-statement of financial position								
B.1 Non-performing exposures	799	281	-	-	5,022	300	4	-
B.2 Performing exposures	8,244	2	3,167	-	542,742	24	59,282	2
Total B	**9,043**	**283**	**3,167**	**-**	**547,764**	**324**	**59,286**	**2**
Total (A + B) 31/12/2023	**72,308**	**2,531**	**31,444**	**194**	**2,420,339**	**50,976**	**180,777**	**3,024**
Total (A + B) 31/12/2022	**56,603**	**2,193**	**27,346**	**521**	**2,715,698**	**69,821**	**170,596**	**4,612**

B.3 Breakdown of on- and off-statement of financial position exposures with banks by geographical segment

Exposure/Geographic area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position										
A.1 Bad exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	23,660	6	33,623	-	7,792	2	-	-	4,187	-
Total A	**23,660**	**6**	**33,623**	**-**	**7,792**	**2**	**-**	**-**	**4,187**	**-**
B. Off-statement of financial position										
B.1 Non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	6,128	16	-	-	-	-	-	-	-	-
Total B	**6,128**	**16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A + B) 31/12/2023	**29,788**	**22**	**33,623**	**-**	**7,792**	**2**	**-**	**-**	**4,187**	**-**
Total (A + B) 31/12/2022	**32,185**	**34**	**27,399**	**-**	**8,499**	**4**	**-**	**-**	**4,044**	**-**

B.3.1 Breakdown of on- and off-statement of financial position exposures with banks by geographical segment

Exposure/Geographic area	North-west ITALY		North-east ITALY		Central ITALY		South ITALY and islands	
	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment	Carry. amount	Tot. impairment
A. On-statement of financial position								
A.1 Bad exposures	-	-	-	-	-	-	-	-
A.2 Unlikely to pay exposures	-	-	-	-	-	-	-	-
A.3 Non-performing past due exposures	-	-	-	-	-	-	-	-
A.4 Performing exposures	10,792	6	-	-	12,868	-	-	-
Total A	**10,792**	**6**	**-**	**-**	**12,868**	**-**	**-**	**-**
B. Off-statement of financial position								
B.1 Non-performing exposures	-	-	-	-	-	-	-	-
B.2 Performing exposures	859	-	-	-	5,269	16	-	-
Total B	**859**	**-**	**-**	**-**	**5,269**	**16**	**-**	**-**
Total (A + B) 31/12/2023	**11,651**	**6**	**-**	**-**	**18,137**	**16**	**-**	**-**
Total (A + B) 31/12/2022	**7,645**	**6**	**-**	**-**	**24,540**	**28**	**-**	**-**

B.4 Large exposures

Tax base / Amount	31/12/2023	31/12/2022
a) Carrying amount	1,471,152	1,755,385
b) Weighted amount	78,799	62,529
c) Number	7	6

The above table shows both the weighted and carrying amount of the large exposures. The number of positions increased to 7 compared to the 6 recorded in 2022, and mainly refer to institutional counterparties, with only one an ordinary customer.
Their weighted amount increased from € 62,529 thousand at 31 December 2022 to € 78,799 thousand at 31/12/2023.

C. SECURITISATIONS

Qualitative disclosure

NPL SECURITISATION OPERATION “BUONCONSIGLIO 4 2021”.

In December 2021, the multi-originator securitisation operation was concluded pursuant to Law no. 130 of 30 April 1999, named *Buonconsiglio 4*, with regard to 273 positions classified as bad exposures by the bank on retail and corporate customers, alongside other portfolios of receivables from another 37 credit institutes.

On 9 December 2021, the financing contract with limited recourse was signed in favour of the *SPV Buonconsiglio 4 Srl*, while on 13 December the bank signed the agreement for the subscription of the bonds issued by the vehicle and the approval of the binding offer from Irish fund Buckthorn Financing DAC was signed for the purchase of 95% of the mezzanine and junior bonds, as an essential condition to carry out the derecognition of the exposures transferred from the assets.

The bonds were issued on 14 December and on 15 December the mezzanine and junior bonds were sold with settlement date on 17 December 2021. In line with the provisions of IFRS9, the senior bonds were recognised in the HTC portfolio at amortised cost, while the mezzanine and junior bonds, which did not pass the SPPI test, were recognised in the portfolio of financial assets at fair value through profit or loss.

The operation was structured in such a way that had suitable characteristics for the senior securities to benefit from the state guarantee in the context of securitisation operations (“GACS”). The GACS guarantee was granted by the Ministry of Economy and Finance with a deed dated 10/06/2022.

In order to comply with the obligation to retain net economic interest of at least 5% in the operation set out by (i) art. 405, paragraph 1, letter a) of Regulation (EU) 537/2013 (the “CRR”), (ii) art. 51, paragraph 1, letter a) of Commission Delegated Regulation (EU) 231/2013 (the “AIFMD Regulation”), and (iii) art. 254, paragraph 2, letter a) of Commission Delegated Regulation (EU) 35/2015 (the “Solvency II Regulation”), the assignor banks undertook to retain a quota of at least 5% of the nominal amount of each tranche of securities issued in the context of the operation (“vertical slice”).

The main characteristics of the securities issued by the vehicle are shown below.

Securities	Nominal amount	Subscribers and buyers.	Maturity	Rate	Margin
Class A, senior securities	€ 117.7 million	100% assignor banks	2042	Euribor 6 months	0.40% spread with zero-floor coupon.
Class B, mezzanine securities	€ 16.5 million	95% investors 5% assignor banks	2042	Euribor 6 months	10.0 % spread with zero-floor coupon
Class J, junior securities	€ 5.893 million ***	95% investors 5% assignor banks	2042	Euribor 6 months	15.00% plus variable return zero-floor coupon

** of which € 4,393.000 related to the over-issue of junior securities, subscribed in cash by the assignor banks, for the payment of all costs of the operation.

With reference to the placement of securities, as is understood from the table above, the senior securities were subscribed by the assignor banks at the issue date; the mezzanine and junior securities, fully subscribed by the assignor banks at the issue date, were subsequently transferred to third-party independent investors for a total amount of 95% of their nominal amount as previously communicated to the ECB with letter dated 30 September 2021. The remaining 5% of the nominal amount of the mezzanine and junior securities will be retained by the assignor banks in order to comply with the obligation to retain net economic interest of 5% in the operation in question (retention rule).

The derecognition of the bad exposures from the financial statements of the assignor banks took place following the transfer of the 95% of the mezzanine and junior securities to Buckthorn Financing DAC. The transfer took place for both tranches on 15 December 2021 with settlement on 17 December 2021.

Portfolio securitised by Cassa di Risparmio di Fermo S.p.A.

The most significant figures from the transferred portfolio and the securitisation of Cassa di Risparmio di Fermo S.p.A. are shown below:

A) Transfer of exposures without recourse on 1 December 2021

Amounts in euro

	[A]	[B]	[C] = [A] – [B]	[D]	[E] = [C] –[D]
GBV	**Gross carrying amount**	**Impairment losses**	**Net carrying amount**	**Loss on sales**	**Sale price**
38,732,197.62	**25,717,899.87**	**16,042,694.11**	**9,675,205.76**	**236,205.76**	**9,439,000****

** price gross of collections recorded at the final cut-off date of 31 July 2021 at the transfer date excluded for € 23,119.67.

In particular, the securitised portfolio includes bad exposures at the transfer date for a gross carrying amount of € 25,717,899.87 and for an aggregate gross amount at the transfer date, net of impairment and including any collections from the exposures and pertaining to the securitisation company, received by the assignor company between the date of definition of the carrying amount and the transfer date, confirmed on the basis of the accounting records to be € 9,698,325.43 (of which collections for 23,119.67), transferred at an amount of € 9,439,000.

B) Issue of notes by the SPV and subscription of notes by the bank on 14/12/2021

Amounts in euro

Description	**Notes type**			**Total notes**
	Senior	***Mezzanine***	***Junior***	
- Scope Rating - DBRS Morningstar - ARC	BBB	No rating	No rating	
CTV issue	**8,187,000**	**1,148,000**	**323,000*****	**9,658,000**

*** amount includes the overissue of junior securities paid by cash € 219,000 (amount equal to the upfront costs of the operation)

On the date the Notes were issued, 14 December 2021, the SPV transferred the Senior, Mezzanine and Junior Notes to the Bank, against the portfolio sale price. On 15 December 2021, with the settlement recognised for accounting purposes on 17 December 2021, the Bank transferred 95% of the Mezzanines and 95% of the Juniors to Buckthorn Financing DAC.

Securitised positions
The following table contains the securitised positions held by the bank following the transfer to Buckthorn Financing DAC of 95% of the mezzanine notes and 95% of the junior notes:

Class	Amount	ISIN
Class A	**8,187,000**	**IT 0005473647**
Class B	**58,000**	**IT 0005473654**
Class J	**21,000**	**IT 0005473662**
Limited recourse loan	**362,000**	**N.A.**

Limited recourse loan agreement: was signed on 9 December 2021 by Buonconsiglio 4 S.r.l. and the assignor banks (lending banks), pro rata, for a total amount of € 5,198,000. As part of the securitisation operation, the lending banks granted the vehicle a limited recourse loan intended to finance the establishment of an initial cash reserve, a retention amount and a recovery expenses target amount. The sums due by the vehicle for any reason pursuant to this agreement shall be paid by it to the lending banks in compliance with the order of priority of payments applicable from time to time and shall therefore be subject to the payments to be made by the vehicle with priority, pursuant to the applicable order of priority of the payments. The portion of this loan granted by Carifermo totals € 362 thousand.

NPL SECURITISATION OPERATION “LUZZATTI POP NPLs 2023”.

In December 2023, Cassa di Risparmio di Fermo S.p.A. carried out a securitisation transaction pursuant to Law 130 of 30 April 1999, together with a consortia of banks, involving a number of NPE portfolios deriving from mortgage or unsecured loan contracts with debtors classified as “non-performing” for a total gross carrying amount (GBV) of € 313,440,471, of which 14,843,255 or 4.7% of the total, pertaining to Cassa di Risparmio di Fermo.
The securitisation, promoted at the consortia level by Luigi Luzzatti S.c.p.A. (“Luzzatti”), which served as global coordinator and advisor, was structured with the assistance of Intesa Sanpaolo S.p.A. (IMI Corporate & Investment Banking Division) as the Arranger and Placement Agent, while Studio Orrick Herrington & Sutcliffe LLP (on the Seller side) and Studio Legale Chiomenti (on the SPV/Arranger side) served as the legal consultants for the transaction. The special purpose vehicle (Luzzatti POP NPLS 2023 S.r.l.) appointed doNext S.p.A. as Master Servicer and doValue S.p.A. as Special Servicer. Luzzatti, on the account of the Sellers, appointed the ratings agencies Morningstar DBRS and ARC Rating S.A. to obtain a rating for the Class A securities issued by the SPV.
The fee for selling the loans was paid by the SPV to each Seller through income deriving from the issuing of multiple classes of asset backed securities, pursuant to the Law on Securitisation, divided into senior securities (Class A), mezzanine (Class B or Mezzanine) and junior securities (Class J or Junior).
The features of Class A securities were defined so as to obtain a rating of BBB+ or equivalent from both the above ratings agencies. The Mezzanine and Junior securities are not rated.
95% of the Mezzanine and Junior securities, following a competitive bidding procedure carried out with assistance from Intesa Sanpaolo S.p.A. with selected international investors, were initially subscribed by Intesa Sanpaolo S.p.A. on 28 December 2023, to facilitate the sale process to the investor selected by the Sellers as the Placement Agent and, on the same date and at the same price, sold to a fund managed by Azimut Libera Impresa SGR S.p.A. (“Azimut”).
The main characteristics of the securities issued by the vehicle are shown below.

Securities	Nominal amount	Subscribers and buyers.	Maturity	Rate	Margin
Class A, senior securities	€ 77.500 million	100% Sellers	2043	Fixed	Coupon 4%
Class B, mezzanine securities	€ 11.000 million	95% investors 5% Sellers	2043	Variable (Euribor 6 month)	Spread 10%
Class J, junior securities	€ 3.000 million	95% investors 5% Sellers	2043	Variable (Euribor 6 month)	Spread 15% plus variable return

Securities issued in favour of CR Fermo, prior to and after the sale of 95.0% of mezzanine and junior securities are shown below:

Securities	Nominal amount	Nominal amount sold	Nominal amount retained
Class A, senior securities	3,188,000	-	3,188,000
Class B, mezzanine securities	452,487	429,862	22,625
Class J, junior securities	123,405	117,234	6,171

The residual nominal amount of the mezzanine and junior securities was retained by the Sellers to comply with the obligation to retain a net economic interest of no less than 5% in the operation in question (retention rule).

Securitised positions

Class	Amount	ISIN
Class A	**3,188,000**	**IT0005577801**
Class B	**22,625**	**IT0005577819**
Class J	**6,171**	**IT0005577827**
Limited recourse loan	**144,000**	**N.A.**

On 22 December 2023, a financing contract with limited recourse was signed by the seller banks and the SPV Luzzatti POP NPLs 2023 S.r.l. for a total of € 3,490,000, corresponding to the initial cash reserve on the issue date, the retention amount and the recovery expenses reserve amounts. The interest rate is 4% and the portion granted to Cassa di Risparmio di Fermo is € 144 thousand.

Quantitative disclosure

C.1 Exposures of the main "own" securitisations broken down by securitised asset and type of exposure

Type of securitised asset / exposure	On-statement of financial position					
	Senior		Mezzanine		Junior	
	Carrying amount	Impairment gains (losses)	Carrying amount	Impairment gains (losses)	Carrying amount	Impairment gains (losses)
A. Subject to full derecognition	**-**	**-**	**-**	**-**	**-**	**-**
A.1 Buonconsiglio 4	***6,099***	***69***	**-**	**-**	**-**	**-**
- Repurchased securities not capitalised, uncommitted - SPV 000002064	6,099	69	-	-	-	-
- Subordinated loan active in the form of securities - SPV 000002064	-	-	-	-	-	-
A.2 Luzzatti Pop NPLs 2023	***3,189***	**-**	***8***	**-**	**-**	**-**
- Current own securities, uncommitted - SPV Luzzatti Srl	3,189	-	8	-	-	-
- Subordinated loan payable in the form of securities - Luzzatti Srl	-	-	-	-	-	-
A.3 name of securitisation ..	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
B. Subject to partial derecognition	**-**	**-**	**-**	**-**	**-**	**-**
B.1 name of securitisation 1	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
B.2 name of securitisation 2	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
B.3 name of securitisation ..	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
C. Not derecognised	**-**	**-**	**-**	**-**	**-**	**-**
C.1 name of securitisation 1	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
C.2 name of securitisation 2	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-
C.3 name of securitisation ..	-	-	-	-	-	-
- type of asset	-	-	-	-	-	-

The previous table in point A.1 shows the residual securities, "senior", at the carrying amount at 31/12/2023 received following the multi-originator securitisation with GACS, Buonconsiglio 4.
Point A.2 shows the senior and mezzanine securities at their carrying amount at 31/12/2023, received following the multi-originator securitisation Luzzatti POP NPLs 2023.

During 2023, the Buonconsiglio 4 senior security saw redemptions of € 1,385 thousand, with impairment of € 15 thousand, bringing total impairment recognised to € 69 thousand.

SECTION 2 - MARKET RISK

2.1 Interest rate and price risks - supervisory trading book

Qualitative disclosure

A. General aspects

The securities portfolio was almost entirely comprised of securities issued by governments or banks in 2023, like in the previous year, in order to minimise interest rate risks. The bank also pledged bank and government bonds from different portfolios as security with the ECB, pursuant to the Bank of Italy instructions about open market operations.

Other interest rate swaps include mirroring contracts for corporate customers, hedged specifically with institutional counterparties. As a result, derivatives do not entail the bank's taking on of risk.

In short, therefore, the Bank's policy for trading on its own behalf consists of medium-term repurchase transactions, monitoring the performance and risk profiles, in order to achieve returns on a portfolio mainly composed of inflation-linked floating rate items.

As part of its ordinary trading activities, the Bank undertook transactions directly for government bonds and bonds, mostly issued by banks.

B. Interest rate and price risk management processes and measurement methods

The bank applies the standardised method as per Regulation (EU) no. 575/2013 and subsequent amendments and the related supervisory regulations to calculate its prudent capital requirements. It has specific market risk control procedures in place as well as ensuring and checking compliance with the prudent rules.

Specifically, internal control regulations establish that the securities portfolio's exposure to market risks is checked by the Risk Management Unit using the VaR method.

In 2016, the board of directors approved the transfer of part of its banking book to a portfolio managed by Epsilon SGR S.p.A. A total of € 120 million was transferred to asset management. Subsequently, in 2017 the Bank transferred an additional € 25 million to the AMC relative to a new money management appointment, to optimise excess liquidity over the short-term. Note that in March 2023, this asset management appointment ended.

In the first quarter of 2021, the bank also decided to expand the diversification of the securities portfolio with a new Total Return asset management mandate for € 50 million granted to Eurizon SGR.

The bank checks the operating and total risk limits set in the "Policies for financial risk management" using the portfolio not transferred to Epsilon S.p.A., while it checks compliance with the limits set in the mandate's guidelines for the transferred assets.

With reference to the portfolio managed internally, measurement of VaR through the end of 2023 was based on a variance-covariance parametric model with a confidence interval of 99% and a time horizon of 10 days.

The bank measures VaR using the procedures that estimate the potential losses due to generic risk (market, interest rate and currency) and specific risk (the risk of losses due to an unfavourable change in the price of a traded financial instrument due to factors related to the issuer's situation). The procedure also performs a sensitivity analysis for each security in the bank's portfolio measuring variations in value of financial instruments (present value) caused by a variation in the interest rate curve, assuming a parallel change in the curve of 1 bps.

Starting in 2024, VaR measurement is based on a historic parametric model, with a confidence interval of 99% and a time horizon of 10 days.

The calculation of the VaR of the banking book (not included in the mandate) includes financial instruments of the FVTPL, FVOCI and AC portfolios, excluding foreign currency swaps and futures and derivatives.

The objective is to constantly check the exposure to market risk and compliance with the internally-established limits using the VaR method and the VaR component (VaRC). The VaR monitoring is performed daily and the Risk Management Unit prepares a monthly summary for the board of directors.

At present, the VaR model is solely used for management and internal control purposes.

With respect to the financial instruments managed by Epsilon, the manager provides the 1-month VaR with a probability level of 99% on a daily basis and the stress test results at each month end. The Risk Management Unit monitors the manager's compliance with the limits set in the mandate's guidelines once a month.

With respect to price risk, the bank's operations in price risk sensitive financial instruments are checked by measuring VaR using the Ermas application and as provided by the asset manager.

Quantitative disclosure

1. Regulatory trading book: breakdown by residual maturity (repricing date) of financial assets and liabilities and financial derivatives.

Currency denomination: Euro

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	open term
1. Assets	**-**	**50,262**	**13,769**	**24,894**	**50,551**	**6,550**	**-**	**-**
1.1 Debt instruments	-	50,262	13,769	24,894	50,551	6,550	-	-
- with early repayment option	-	*2,394*	*4,674*	*3,447*	*2,601*	-	-	-
- other	-	*47,868*	*9,095*	*21,447*	*47,950*	*6,550*	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**64,912**	**20,963**	**36,657**	**144,207**	**55,015**	**5,368**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	64,912	20,963	36,657	144,207	55,015	5,368	-
- Options	-	*16,210*	*20,151*	*34,053*	*144,207*	*55,015*	*5,368*	-
+ long positions	-	*8,235*	*10,119*	*16,948*	*72,050*	*27,466*	*2,684*	-
+ short positions	-	*7,975*	*10,032*	*17,105*	*72,157*	*27,549*	*2,684*	-
- Other derivatives	-	*48,702*	*812*	*2,604*	-	-	-	-
+ long positions	-	*33,402*	*406*	*1,302*	-	-	-	-
+ short positions	-	*15,300*	*406*	*1,302*	-	-	-	-

Currency denomination: Other currencies

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	open term
1. Assets	**-**	**-**	**-**	**-**	**10,335**	**1,058**	**-**	**-**
1.1 Debt instruments	-	-	-	-	10,335	1,058	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	*10,335*	*1,058*	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**74,406**	**812**	**2,604**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	2	-	-	-	-	-	-
- Options	-	*2*	-	-	-	-	-	-
+ long positions	-	*1*	-	-	-	-	-	-
+ short positions	-	*1*	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	74,404	812	2,604	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	*74,404*	*812*	*2,604*	-	-	-	-
+ long positions	-	*28,151*	*406*	*1,302*	-	-	-	-
+ short positions	-	*46,253*	*406*	*1,302*	-	-	-	-

The amounts shown in item 3.2 “Financial derivatives without underlying security - Options” of the above table include data about the remaining term of the cap options, calculated as a series of forward rate agreement options equal in number of the options for which the bank receives (pays) the fixed rate and pays (receives) the fair value of the indexed reference rate. These options are implicitly included in the loans granted to customers and are tied to the variability of interest rates.

Item 3.2. “Financial derivatives without underlying security - Other derivatives” includes futures comprised in the assets managed by Epsilon SGR S.p.A.

2. Regulatory trading book: breakdown of exposure in equity instruments and share indexes by main stock exchange.

Operation type/Stock exchange	Listed						Unlisted
	ITALY	U.S.A.	UK	Switzerland	Germany	Other	
A. Equity instruments	**291**	**6,668**	**992**	**484**	**720**	**1,739**	**-**
- Long positions	*291*	*6,668*	*992*	*484*	*720*	*1,739*	-
- Short positions	-	-	-	-	-	-	-
B. Unsettled trading on equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Long positions	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-
C. Other derivatives on equity instruments	**-**	**-**	**-**	**-**	**-**	**2**	**1**
- Long positions	-	-	-	-	-	*1*	*1*
- Short positions	-	-	-	-	-	*1*	-
D. Derivatives on share indexes	**-**	**-**	**-**	**-**	**-**	**2**	**-**
- Long positions	-	-	-	-	-	*2*	-
- Short positions	-	-	-	-	-	-	-

In the trading book, the bank has one future on the stock indexes with underlying value traded on the US market.

3. Regulatory trading book: internal models and other methodologies for sensitivity analyses.

The bank does not use internal models to quantify the capital absorbed by market risks. As shown above, for management purposes only, the daily VaR of the trading book not included in the mandate is measured.

During 2023, the VaR of the trading book (part managed internally, excluding management mandates) recorded a maximum value of approximately € 985 and a minimum value of around € -81 thousand, while the average value was around € -29 thousand. At 31 December 2023, the VaR of the internally managed trading book was € -15 thousand.

Also note that including asset management securities, during 2023 the VaR of the trading portfolio reached a maximum value of around € 1.0 million in August 2023; the average value was around € 749 thousand. At the end of 2023, the VaR for the trading portfolio (including management mandates) was € 522 thousand.

With respect to the asset management financial instruments, present exclusively in the trading book, the manager provides the 1-month VaR with a probability level of 99% on a daily basis and the stress test results at each month end. Over the course of the year the VaR limits set by the management mandates were always respected.

2.2 Interest rate and price risk - banking book

Qualitative disclosure

A. General aspects, management and measurement of interest rate and price risks

The banking book includes all financial assets and liabilities not included in the trading book. The duration mismatching of funding and lending products generates interest rate risk.

The Risk Management Unit measures the banking book's interest rate risk every quarter using the A2 matrix data and periodically for internal monitoring purposes using Prometeia's Ermas application. The unit applies the methodology required by the prudential supervisory instructions (Bank of Italy Circular no. 285/2013).

The methodology used to quantify the exposure to interest rate risk involves the distribution of the assets and liabilities by maturity or interest review date and, to determine the internal capital, simulates the provisions of the legislation, applying the shocks envisaged by the regulations to quantify the internal capital.

In addition to the application of the parallel shock +/- 200 bps, the bank assesses the impact on the interest rate risk deriving 1) from the annual changes in interest rates recorded in a 6-year observation period, considering alternatively the 1st percentile (down) or the 99th (up); 2) from the additional scenarios envisaged by the EBA guidelines (steepener, flattener, short rates shock up and short rates shock down).

For management and monitoring purposes only, the bank's overall interest rate risk is subjected to additional quarterly analyses to assess the impact of changes in interest rates on profit (repricing gap) and the economic value of the bank's assets and liabilities (duration gap) using the Ermas application. The analyses also include on-demand items and assessing the stickiness effect (i.e., how long it takes to adapt to changes in interest rates) and the beta effect (how changes in market rates are absorbed by rates applied to on-demand products).

During 2023, the Risk Management Unit carried out, in cooperation with a consulting company, analysis of the impact of the new EBA methodology with reference to measuring interest rate risk, presenting the results to the company bodies.

In order to ensure the proper monitoring of the banking book's interest rate risk, it is measured periodically with reports produced and submitted to the Board of Directors.

Quantitative disclosure

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency denomination: Euro

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	Open term
1. Assets	**213,830**	**562,913**	**451,278**	**67,189**	**303,189**	**252,402**	**228,088**	**-**
1.1 Debt instruments	-	11,881	426,164	26,847	158,639	157,290	92,080	-
- with early repayment option	-	*6,099*	*8*	-	*1,425*	-	*3,189*	-
- other	-	*5,782*	*426,156*	*26,847*	*157,214*	*157,290*	*88,891*	-
1.2 Financing to banks	6,715	12,868	-	-	-	-	-	-
1.3 Financing to customers	**207,115**	**538,164**	**25,114**	**40,342**	**144,550**	**95,112**	**136,008**	**-**
- current accounts	*97,708*	*2,220*	*102*	*404*	*1,000*	*2,881*	-	-
- other financing	*109,407*	*535,944*	*25,012*	*39,938*	*143,550*	*92,231*	*136,008*	-
- with early repayment option	*13,123*	*522,097*	*24,178*	*38,916*	*137,986*	*86,826*	*136,008*	-
- other	*96,284*	*13,847*	*834*	*1,022*	*5,564*	*5,405*	-	-
2. Liabilities	**1,749,205**	**184,682**	**11,754**	**31,790**	**36,990**	**27,337**	**89,089**	**-**
2.1 Due to customers	1,748,530	3,726	4,768	2,689	22,372	27,337	89,089	-
- current accounts	*1,670,390*	*1,023*	*24*	*42*	-	-	-	-
- other liabilities	*78,140*	*2,703*	*4,744*	*2,647*	*22,372*	*27,337*	*89,089*	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*78,140*	*2,703*	*4,744*	*2,647*	*22,372*	*27,337*	*89,089*	-
2.2 Due to banks	-	174,991	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other liabilities	-	*174,991*	-	-	-	-	-	-
2.3 Debt instruments	675	5,965	6,986	29,101	14,618	-	-	-
- with early repayment option	-	*2,531*	*1,259*	*4,019*	*14,609*	-	-	-
- other	*675*	*3,434*	*5,727*	*25,082*	*9*	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**31,560**	**4,183**	**2,658**	**12,682**	**8,278**	**9,041**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	31,560	4,183	2,658	12,682	8,278	9,041	-
- Options	**-**	***31,560***	***4,183***	***2,658***	***12,682***	***8,278***	***9,041***	**-**
+ long positions	-	*406*	*1,145*	*2,649*	*12,682*	*8,278*	*9,041*	-
+ short positions	-	*31,154*	*3,038*	*9*	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	***45,242***	***8,310***	**-**	**-**	**-**	***8***	***924***	**-**
+ long positions	*18,000*	*8,310*	-	-	-	*8*	*924*	-
+ short positions	*27,242*	-	-	-	-	-	-	-

Currency denomination: Other currencies

Type/Residual maturity	on demand	up to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	after 5 to 10 years	after 10 years	Open term
1. Assets	**6,676**	**106**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	6,676	-	-	-	-	-	-	-
1.3 Financing to customers	**-**	**106**	**-**	**-**	**-**	**-**	**-**	**-**
- current accounts	-	-	-	-	-	-	-	-
- other financing	-	*106*	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	*106*	-	-	-	-	-	-
2. Liabilities	**5,299**	**64**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	5,299	-	-	-	-	-	-	-
- current accounts	*5,283*	-	-	-	-	-	-	-
- other liabilities	*16*	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	*16*	-	-	-	-	-	-	-
2.2 Due to banks	-	64	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other liabilities	-	*64*	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other methodologies for sensitivity analyses

During 2023, the estimated impact on interest income of a ± 100 basis point shock in interest rates and a steepener shock was calculated using the Ermas software for management purposes, assuming that the maturity dates do not change for a year.

The analyses carried out consider these captions' trends ("behavioural model") with assessment of the stickiness effect (i.e. how long it takes the bank interest rates to adapt to changes in market rates, or the average repricing times), the asymmetry in the convergence (i.e. the different speeds of adjustment based on whether the market rate increases or decreases) and the beta effect (i.e. the elasticity of the bank rates, which indicates how the changes in market rates are absorbed by the interest rates of the on-demand products offered by the bank). For comparative purposes, the bank checks the impact of the shocks even when modelling does not take place.

At 31 December 2023, the difference in net interest income at 1 year (with reference to operating figures and with modelling of on-demand items) amounts to approximately € -3.3 million in the event of a shift to -200 bps; the difference in net interest income deriving from the simulation of the steepener shock is also negative, which, considering the EBA floor, comes to € -1.9 million.

2.3 Currency risk

Qualitative disclosure

A. General aspects, management and measurement of currency risk

Currency risk is the risk that the bank may incur losses due to adverse changes in foreign exchange rates affecting its positions.

The bank's currency risk mainly arises on its transactions in foreign currency securities held in the asset management portfolio. Foreign currency activities also include spot and forward purchases and sales with customers, which are concurrently matched on the market by agreeing very short-term short/long positions that give rise to immaterial price risk. The bank mainly operates in the US dollar.

The relevant operating offices that carry out first level controls monitor the currency positions. The Risk Management Unit performs checks of the internal limits once a month. The bank does not usually take on large risky positions in the currencies market.

Internal models to calculate the capital requirements for market risk are not used.

B. Currency hedges

The bank does not agree specific currency hedges. For operating and economic efficiency purposes, transactions with customers are not immediately matched on the market but may be offset, including cumulatively, during the same day or the following day, against other transactions in the same currency of a spot or forward nature and an opposite sign.

Currency risk hedges for the assets managed by the external manager are managed through hedges agreed by Epsilon SGR S.p.A.

Quantitative disclosure

1. Breakdown of assets, liabilities and derivatives by currency

Tax base	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollar	Swiss franc	Other currencies
A. Financial assets	**21,109**	**761**	**59**	**267**	**864**	**3,578**
A.1 Debt instruments	8,795	-	-	-	-	2,673
A.2 Equity instruments	6,715	649	-	45	602	374
A.3 Financing to banks	5,492	112	59	222	262	531
A.4 Financing to customers	107	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**197**	**92**	**18**	**25**	**61**	**23**
C. Financial liabilities	**4,333**	**139**	**64**	**217**	**261**	**350**
C.1 Due to banks	-	-	64	-	-	-
C.2 Due to customers	4,333	139	-	217	261	350
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**35,996**	**962**	**10,468**	**-**	**527**	**365**
- Options	-	-	-	-	-	-
+ *long positions*	-	-	-	-	-	-
+ *short positions*	-	-	-	-	-	-
- Other derivatives	35,996	962	10,468	-	527	365
+ *long positions*	*8,586*	*12*	*6,508*	-	*2*	-
+ *short positions*	*27,410*	*950*	*3,960*	-	*525*	*365*
Total assets	**29,892**	**865**	**6,585**	**292**	**927**	**3,601**
Total liabilities	**31,743**	**1,089**	**4,024**	**217**	**786**	**715**
Difference (+/-)	**- 1,851**	**- 224**	**2,561**	**75**	**141**	**2,886**

2. Internal models and other methodologies for sensitivity analyses

The bank does not use internal models to measure currency risk or other methodologies for sensitivity analyses.

SECTION 3 – DERIVATIVES AND HEDGING POLICIES

3.1 - Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: reporting-date notional amounts

Underlying asset / Derivative	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 instruments and interest rates	**-**	**-**	**7,148**	**16,651**	**-**	**-**	**17,705**	**11,626**
a) Options	-	-	7,148	-	-	-	9,172	-
b) Swaps	-	-	-	-	-	-	8,533	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	16,651	-	-	-	11,626
e) Other	-	-	-	-	-	-	-	-
2. Equity instruments and share indexes	**-**	**-**	**61**	**121**	**-**	**-**	**-**	**165**
a) Options	-	-	61	119	-	-	-	159
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	2	-	-	-	6
e) Other	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**47,584**	**-**	**-**	**-**	**24,611**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	47,584	-	-	-	24,611	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

A.2 Trading financial derivatives: gross positive and negative fair value - breakdown by product

Type of derivative	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	-	-	127	38	-	-	72	463
b) Interest rate swaps	-	-	-	-	-	-	1,957	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	721	-	-	-	528	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**848**	**38**	**-**	**-**	**2,557**	**463**
1. Negative fair value								
a) Options	-	-	91	7	-	-	69	37
b) Interest rate swaps	-	-	-	-	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	-	241	-	-	-	355	-
f) Futures	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**332**	**7**	**-**	**-**	**424**	**37**

A.3 OTC financial derivatives - notional amounts, gross positive and negative fair value by counterparty

Underlying assets	Government and central banks	Banks	Other financial companies	Other
Contracts not covered by netting agreements				
1. Debt instruments and interest rates				
- notional amount		3,870	-	3,278
- positive fair value		105	-	-
- negative fair value		-	-	91
2. Equity instruments and share indexes				
- notional amount		61	-	-
- positive fair value		22	-	-
- negative fair value		-	-	-
3. Currencies and gold			-	
- notional amount		43,831	-	3,753
- positive fair value		694	-	26
- negative fair value		239	-	2
4) Commodities				
- notional amount		-	-	-
- positive fair value		-	-	-
- negative fair value		-	-	-
5. Other				
- notional amount		-	-	-
- positive fair value		-	-	-
- negative fair value		-	-	-
Contracts covered by netting agreements				
1. Debt instruments and interest rates				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2. Equity instruments and share indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3. Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5. Other				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 Residual life of OTC trading financial derivatives: notional amounts

Underlying / Residual life	Up to 1 year	After 1 year and up to 5 years	After 5 years	Total
A.1 Financial derivatives on debt instruments and interest rates	1,671	3,600	1,877	7,148
A.2 Financial derivatives on equity instruments and equity indexes	61	-	-	61
A.3 Financial derivatives on currencies and gold	47,584	-	-	47,584
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2023	**49,316**	**3,600**	**1,877**	**54,793**
Total 31/12/2022	**26,635**	**5,885**	**9,795**	**42,315**

B. Credit derivatives

The bank has not agreed credit derivatives.

3.3 Other disclosures on trading and hedging derivatives

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair value by counterparty

The institution does not have any trading derivatives or hedging derivatives subject to offsetting with respect to IAS 32, paragraph 42.

SECTION 4 - LIQUIDITY RISK

Qualitative disclosure

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the bank is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to free its assets (market liquidity risk), thus jeopardising daily operations or its financial position.

The bank's liquidity risk management strategy is based on ensuring a steady flow of liquidity, as required by the supervisory regulations and its healthy and prudent management policies. The "Liquidity risk governance and management policy", updated in March 2023, defines the Bank's liquidity and funding management policies, the risk objectives and the main stages of the risk management and monitoring process, specifying the roles and responsibilities of the relevant internal bodies and units. The document also includes the Contingency Funding Recovery Plan (CFRP) that sets out the strategies for handling any liquidity crises and the procedures for obtaining funds in the case of emergency.

As far as the risk-protection governance structure concerns, the Finance Unit Head is in charge of managing liquidity, including by investing any surplus on the interbank deposit market. The Risk Management Unit regularly monitors the overall liquidity conditions and reports to the general manager.

Regular risk monitoring requires the monthly check that the limits set by regulations and in the RAF by the board of directors are complied with in respect of short-term and structural liquidity and the ordinary customers' lending/liquidity ratio.

The management application feeds the internal risk assessment model, which has differentiated weighing ratios depending on the type of asset, liability and commitment and classifies each item into residual maturity categories (maturity ladder). Any differences and certain synthetic indexes are used to assess the structural liquidity situation over the entire timeframe.

Once a month, the bank checks the regulatory operating liquidity ratio (LCR - liquidity coverage ratio), which measures its ability to cover its forecast net cash outflows over 30 days, and the net stable funding ratio CRR2 which estimates the degree of coverage of medium-term funding through stable forms of funding.

Both ratios were always adequate and higher than the regulatory and internal limits, set by the RAF, in the financial year in question. The highly liquid assets, which are the numerator in the LCR ratio, mainly consist of uncommitted government bonds plus other liquidity items and the bank's exposure to the central bank which can be monetised in stress conditions as well as other securities which can easily be sold if necessary.

In addition, after enactment of the Commission Implementing Regulation (EU) no. 313/2016 about additional liquidity monitoring metrics (ALMM), subsequently transposed by the seventh update to Circular no. 286, the bank supplemented its liquidity risk disclosure procedures to include the ALMM report, prepared once a quarter.

The Risk Management Unit also performs monthly stress tests and the results are used to define ex-ante limits and ex-post assessments of their adequacy, to plan and undertake transactions to remedy any differences and to define and periodically overview the liquidity risk mitigation systems.

The bank uses a judgement-based approach to estimate cash flows, based on subjective forecasts drawing on past experience and the guidance received from the supervisory authorities. Identification of appropriate risk factors is essential for the suitability of the stress tests. Given the bank's operations and related vulnerabilities, the main liquidity risk factors relate to its capacity to fund itself on the interbank and retail markets, to cover on-demand liabilities, the use of credit facilities granted and the usability of those received, losses due to non-repayment of large positions and the degree of liquidability of its assets.

Based on these factors, the Risk Management Unit uses stress tests that include increases in the haircuts of highly liquid assets and cash outflows of the maturity ladder based on scenarios that it intends to analyse (increase in withdrawals by customers and greater use of current account credit facilities).

During 2023, data from the internal structural liquidity model demonstrated the Bank's satisfactory liquidity position, also confirmed by the regulatory ratios.

At 31 December 2023, the top 15 customers (excluding banks) accounted for roughly 7.7% of the direct funding (calculated using operating amounts).

Quantitative disclosure

1. Breakdown of financial assets and liabilities by residual contractual maturity

The breakdown of financial assets and liabilities by residual contractual maturity show an overall balance both in relation to deposits/financing and spot and forward exchange rates.

Therefore, currency risks are immaterial thanks to the bank's careful management of foreign currency.

Currency denomination: Euro

Tax base/Time frame	on demand	after 1 to 7 days	after 7 to 15 days	after 15 days to 1 month	after 1 to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	After 5 years	Open term
Assets	**172,500**	**11,094**	**33,592**	**38,622**	**60,000**	**86,785**	**187,567**	**720,425**	**996,829**	**12,868**
A.1 Government bonds	-	8,976	28,560	2,991	889	11,878	51,949	237,261	622,069	-
A.2 Other debt instruments	-	-	13	2,664	3,812	3,291	4,558	58,966	20,692	-
A.3 OEIC units	8,865	-	-	-	-	-	-	-	-	-
A.4 Financing	163,635	2,118	5,019	32,967	55,299	71,616	131,060	424,198	354,068	12,868
- Banks	*6,719*	-	-	-	-	-	-	-	-	*12,868*
- Customers	*156,916*	*2,118*	*5,019*	*32,967*	*55,299*	*71,616*	*131,060*	*424,198*	*354,068*	-
Liabilities	**1,749,204**	**237**	**549**	**1,796**	**6,609**	**13,909**	**209,974**	**36,959**	**116,329**	**-**
B.1 Deposits and current accounts	1,746,467	123	139	257	2,381	2,396	576	49	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	*1,746,467*	*123*	*139*	*257*	*2,381*	*2,396*	*576*	*49*	-	-
B.2 Debt instruments	674	114	406	1,539	3,988	7,138	29,879	14,548	-	-
B3 Other liabilities	2,063	-	4	-	240	4,375	179,519	22,362	116,329	-
Off-statement of financial position transactions	**32,847**	**2,090**	**262**	**17,414**	**25,170**	**812**	**2,759**	**16,059**	**11,248**	**-**
C.1 Financial derivatives with exchange of capital	-	2,090	262	17,414	25,136	812	2,604	-	-	-
- Long positions	-	*1,089*	*131*	*17,025*	*13,257*	*406*	*1,302*	-	-	-
- Short positions	-	*1,001*	*131*	*389*	*11,879*	*406*	*1,302*	-	-	-
C.2 Financial derivatives without exchange of capital	**196**	-	-	-	-	-	-	-	-	-
- Long positions	*105*	-	-	-	-	-	-	-	-	-
- Short positions	*91*	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	**27,248**	**-**	**-**	**-**	**-**	**-**	**-**	**16,000**	**11,248**	**-**
- Long positions	-	-	-	-	-	-	-	*16,000*	*11,248*	-
- Short positions	*27,248*	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	5,403	-	-	-	34	-	155	59	-	-
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	-	-	-	-	-	-	-	-	-	-

At the reporting date, the bank had received guarantees of €16,338 thousand which are not shown in the above table as there is no evidence to reasonably suggest that they will be enforced or when they will be used. Guarantees enforced in the last four years are as follows:
2020: five positions for a total of € 56 thousand;
2021: one position for a total of € 12 thousand;
2022: one position for a total of € 100 thousand;
2023: one position for a total of € 4 thousand.

Currency denomination: Other currencies

Tax base/Time frame	on demand	after 1 to 7 days	after 7 to 15 days	after 15 days to 1 month	after 1 to 3 months	after 3 to 6 months	after 6 months to 1 year	after 1 to 5 years	After 5 years	Open term
Assets	**6,681**	**-**	**-**	**57**	**88**	**72**	**207**	**11,198**	**1,059**	**-**
A.1 Government bonds	-	-	-	-	-	-	-	-	-	-
A.2 Other debt instruments	-	-	-	-	38	72	207	11,198	1,059	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	6,681	-	-	57	50	-	-	-	-	-
- Banks	*6,681*	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	*57*	*50*	-	-	-	-	-
Liabilities	**5,299**	**-**	**-**	**64**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	5,283	-	-	64	-	-	-	-	-	-
- Banks	-	-	-	*64*	-	-	-	-	-	-
- Customers	*5,283*	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B3 Other liabilities	16	-	-	-	-	-	-	-	-	-
Off-statement of financial position transactions	**-**	**2,090**	**262**	**17,414**	**25,138**	**812**	**2,604**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	2,090	262	17,414	25,138	812	2,604	-	-	-
- Long positions	-	*1,001*	*131*	*389*	*11,880*	*406*	*1,302*	-	-	-
- Short positions	-	*1,089*	*131*	*17,025*	*13,258*	*406*	*1,302*	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

SECTION 5 - OPERATIONAL RISK

Qualitative disclosure

A. General aspects, management and assessment of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors. This risk includes losses caused by fraud, human error, business discontinuity, system breakdowns, contractual defaults and natural disasters. It also comprises legal risk but not strategic or reputational risk.

In line with the proportionality principle, the bank uses the basic method (basic indicator approach of 15% of the average for the relevant indicator for the last three years) to measure its capital requirements to cover operational risk.

The capital requirement with respect to operating risk, calculated using the relevant indicator for 2021-2023, is € 12.4 million.

The operational risk assessment is also integrated annually through an internal qualitative valuation of the losses incurred and the definition of the residual risk.

The Risk Management Unit was defined in the "Operational risk mitigation policy". Specifically:

- the board of directors defines the guidelines to control and mitigate operational risk, regularly checking that they are correctly implemented and reflect the bank's operations as well as the transparent and appropriate allocation of duties and responsibilities;
- the general manager defines the operating rules and practices, activities, procedures and most appropriate units to manage the operational risk mitigation process assisted by the competent units and in line with the policies set by the board of directors and the guidelines of the executive committee; they also check their suitability over time in terms of the adequacy and functionality and ensures steps are taken to eliminate any weaknesses or dysfunctions;
- as a control body, the board of statutory auditors monitors the adequacy of the risk management and control system and internal controls;
- the Risk Management Unit designs and updates the qualitative methods to measure operating risks alongside the competent offices;
- the Compliance Unit measures operating risk with respect to the areas assessed and in terms of compliance with regulations
- the Internal Audit Unit carries out regular audits of the operational risk management system.

With respect to the operational risk mitigation tools, the bank focused on the transfer of risk through the agreement of insurance policies, suitable for low frequency events with a high financial impact. These policies cover risks of losses from:

- fraud or misconduct;
- damage to third parties caused by errors made during banking operations;
- non-intentional violations of legal, regulatory and by-laws obligations by directors and specific employees;
- third-party fraud;
- damage to property and equipment as a result of natural or criminal events;
- accidents and slight or serious injuries to third parties inside the bank's premises;
- emergencies linked to cyber security in its IT systems.

Legal risks

Legal risk is identified as the risk of impairment or reduction in value of the assets due to inadequate or incorrect contracts or legal documents, which could lead to significantly sizeable disputes. This risk is a manifestation of operational risk.

Situations that lead to legal risks principally relate to operations covered by the main special regulations such as, specifically, entities' administrative liability (Legislative decree no. 231/2001), occupational safety (Legislative decree no. 81/2008), building site regulations (Legislative decree no. 494/96), privacy (Legislative decree no. 196/2003), anti-money laundering (Legislative decree no. 231/2007), banking transparency, usury, investment services, etc.

With respect to Legislative decree no. 231/01, the bank implemented the organisational model proposed by the ABI, approved by the Ministry for Justice, and set up a supervisory body to ensure the working and compliance of the models. Since March 2014, the board of statutory auditors has carried out the supervisory body's duties, with the assistance of the pro tempore heads of the bank's control units: Internal Audit, Risk Management, Compliance and AML.

The Compliance Unit is responsible for monitoring legal risks and the bank's compliance with external and internal rules and regulations. It also checks new products/services' compliance in order to identify any potential risks in advance and make the necessary amendments.

The "Compliance Unit's Regulation" regulates the risk of non-compliance and its management as well as the methods adopted by the Unit to carry out its duties. Pursuant to Bank of Italy Circular no. 285/13, the regulation defines the scope of the Unit's duties and specific controls, as well as a special function to perform the compliance tests.

The Anti-Money Laundering Unit performs ongoing controls and encourages a culture of compliance with internal and external regulations.

With respect to the correct management and keeping of the centralised computer database, the Unit ensures the network is periodically monitored and kept aware of the issue, assisted by other General Management units.

The main legal disputes are described below.

Compound interest disputes

In line with the banking sector's general practice, the bank does not agree with the decision reiterated by the Supreme Court since 1999 which confirms the "negotiating" rather than the "regulatory" nature of the quarterly capitalisation clause for interest expense and, therefore, the illegality of its application to bank current accounts. The bank maintains its opinion in court as well.

The banks' position is supported by numerous merits rulings which emphasise different legal points, which are valid, and that may lead the Supreme Court to rethink its position in the future.

At present, the bank is obliged to make adequate provision for its ongoing disputes with customers about compound interest, based on the calculations made when the dispute arose. Quantification of this risk is recognised in the provision for risks and charges.

Claw-back claims

The bank assesses individual requests for the return of amounts from the official receivers, estimating the inherent risks. It assesses the cost/benefits ratio only when it deems it more useful and proposes out-of-court settlements to the counterparties, which are often successful and avoid going to court.

Should a legal proceeding be commenced, the bank evaluates its possibility of losing, updates its risk estimates and defends itself suitably in court, also based on its understanding of the counterparty's insolvency. Once such legal proceedings commence, provision is made for the risks related to the amounts deemed re-obtainable based on internal assessments. Quantification of the risk of bankruptcy revocations is recognised in the provision for risks and charges.

Disputes involving securities

Supported by a number of court rulings in its favour, the bank reviews each dispute and only makes adequate provision when it deems that it may effectively have to pay.

In any case, the number of proceedings commenced against the institution for the acquisition of securities by customers has always been very modest compared to the number of transactions performed at the time.

PART F
Equity

Section 1 - Equity

Qualitative disclosure

Regulation (EU) no. 575/2013 (CRR) and Directive no. 2013/36/EU (CRD IV) of 26 June 2013 covering banks and investment companies became effective on 1 January 2014. They transposed the supervisory standards for banks defined by the Basel Committee in the European Union.

On 19 December 2013, Bank of Italy published Circular no. 285 "Prudential reporting instructions for banks", setting out guidance on how to implement CRD IV. The central bank subsequently issued Circular no. 286 "Instructions for preparing prudential reports for banks and investment companies", which regulates the prudent supervisory reports prepared on a separate and consolidated basis since1 January 2014.

Equity management covers all the policies and decisions necessary to ensure that the bank's own funds are adequate to cover its assets and risks. The bank has to comply with capital adequacy requirements established by the above regulations.

Checks of compliance with the minimum prudential requirements are ongoing and consider possible changes in risks and the Risk Appetite Framework (RAF).

Moreover and in accordance with the ECB's recommendations of 28 January 2015, compliance with the minimum requirements is also ensured by observance of a pay-out policy tied to attainment of the above-mentioned minimum capital requirements.

The directors' report discloses and comments on the main financial statements indicators which include, in particular, the capitalisation ratios, useful to analyse the bank's equity on a qualitative basis.

Since 1 January 2014, the Italian banks are required to have a minimum CET1 ratio of 4.5%, a TIER 1 ratio of 5.5% (6% from 2015) and a Total Capital Ratio of 8%. These minimum requirements have been supplemented by the following CET1 buffers: Capital conservation buffer of 2.5% from 1 January 2014 and, from 2016, Countercyclical buffer in periods of high credit growth and Systematic buffer for major international or local banks. Non-compliance with the sum of these buffers (combined requirement) leads to limits on distributions and the requirement to introduce a capital conservation plan.
The SREP requirements set out by the Bank of Italy for 2023 are listed below:

- Common Equity Tier 1 Ratio (CET1R) 9.300%
- TIER1R 11.100%
- Total capital ratio (TCR) 13.500%

Quantitative disclosure

B.1 Equity: breakdown

Tax base/Amount	Amount at 31/12/2023	Amount at 31/12/2022
1. Share capital	**39,241**	**39,241**
2. Share premium	**34,660**	**34,660**
3. Reserves	**108,622**	**86,336**
- income-related	102,492	80,206
a) legal reserve	*24,025*	*21,568*
b) statutory reserve	*91,732*	*71,903*
c) treasury shares	-	-
d) other	- *13,265*	- *13,265*
- other	6,130	6,130
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves	**- 3,138**	**- 22,419**
- Equity instruments at fair value through other comprehensive income	146	128
- Hedges of equity instruments at fair value through other comprehensive income	-	-
- Financial assets (other than equity instruments) at fair value through other comprehensive income	- 16,647	- 35,985
- Property, equipment and investment property	-	-
- Intangible assets	-	-
- Hedges of investments in foreign operations	-	-
- Cash flow hedges	-	-
- Hedging instruments (non-designated items)	-	-
- Exchange gains (losses)	-	-
- Non-current assets held for sale and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes in own credit rating)	-	-
- Actuarial gains (losses) on defined benefit pension plans	- 1,759	- 1,684
- Portion of valuation reserves of equity-accounted investees	-	-
- Special revaluation laws	15,122	15,122
7. Profit for the year	**22,431**	**24,565**
Total	**201,816**	**162,383**

Item “3. Reserves – d) other” of €13,265 thousand includes the fair value losses of equity generated during the first-time adoption of IAS (FTA) for €2,860 thousand, and the fair value losses from FTA generated following introduction of IFRS 9 for €10,405 thousand. The item “Other reserves” of €6,130 thousand relates to the contribution reserve required by Law no. 218/90.

B.2 Fair value reserve: breakdown

Asset / Amount	Total 31/12/2023		Total 31/12/2022	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	144	16,791	179	36,164
2. Equity instruments	337	191	318	191
3. OEIC units	-	-	-	-
4. Financing	-	-	-	-
Total	**481**	**16,982**	**497**	**36,355**

B.3 Fair value reserve: annual changes

Tax base / Amount	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**- 35,985**	**127**	**-**	**-**
2. Increases	**29,824**	**25**	**-**	**-**
2.1 Fair value gains	20,815	25	-	-
2.2 Impairment losses for credit risk	144	-	-	-
2.3 Reclassification of fair value losses to profit or loss on sale	8,795	-	-	-
2.4 Transfers to other equity reserves (equity instruments)	-	-	-	-
2.5Other increases	70	-	-	-
3. Decreases	**10,486**	**6**	**-**	**-**
3.1 Fair value losses	211	-	-	-
3.2 Impairment gains for credit risk	179	-	-	-
3.3 Reclassification of fair value gains to profit or loss	483	-	-	-
3.4 Transfers to other equity reserves (equity instruments)	-	4	-	-
3.5Other increases	9,613	2	-	-
4. Closing balance	**- 16,647**	**146**	**-**	**-**

B.4 Actuarial reserves: annual changes

	Fip (pension fund)	Post-employment benefits
1. Opening balance	**- 663**	**- 1,021**
2. Increases	**64**	**132**
2.1 Actuarial gains	-	132
2.2 Change in deferred tax assets	64	-
3. Decreases	**235**	**36**
3.1 Actuarial losses	235	36
3.2 Change in deferred tax liabilities	-	-
4. Total	**- 834**	**- 925**

Section 2 – Own funds and ratios

More information is available in the disclosure to the public on own funds and capital adequacy ("Third Pillar").

2.1 Own funds

A. Qualitative disclosure.

The reforms of the Basel Committee agreements (Basel 3), aimed at strengthening banks' ability to absorb shocks caused by financial and economic tensions, became part of the EU legislation on 1 January 2014.

The Committee maintained the three-pillar approach at the base of the previous capital agreement (Basel 2), which it integrated and strengthened to improve the amount and quality of intermediaries' capital. It also introduced countercyclical supervisory tools and rules about liquidity risk management and financial leverage containment.

The above EU laws were integrated by the instructions issued by Bank of Italy in Circular no. 285 of 17 December 2013, which grouped the prudential supervisory regulations applicable to banks and Italian banking groups.

The transition to IFRS 9 on 1 January 2018 affected the bank's regulatory capital and prudential ratios.

B. Quantitative disclosure

Tax base / Amount	Amount at 12/2023	Amount at 12/2022
A. Common Equity Tier 1 (CET1) before application of prudential filters	198,017	160,104
including CET1 instruments covered by the transitional measures	-	-
B. CET1 prudential filters (+/-)	- 785	- 1,087
C. CET1 including the elements to be deducted and the effects of the transitional regime (A +/- B)	197,232	159,017
D. Elements to be deducted from CET1	- 181	- 5,751
E. Transitional regime - Impact on CET1 (+/-)	-	18,404
E.2 Phased-in effect of IFRS 9 (article 473-bis of CRR)	-	-
F. Total CET1 (C– D +/-E+/-E.2)	197,051	171,670
G. Additional Tier 1 (AT1) including the elements to be deducted and the effects of the transitional regime	-	-
including AT1 instruments covered by the transitional measures	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime – Impact on AT1 (+/-)	-	-
L. Total AT1 (G - H +/-I)	-	-
M. Tier2 (T2) including the elements to be deducted and the effects of the transitional regime	-	-
including T2 instruments covered by the transitional measures	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime – Impact on T2 (+/-)	-	-
P. Total T2 (M - N +/- O)	-	-
Q. Total own funds (F + L + P)	197,051	171,670

Own funds include the portion of the profit for the year destined for the reserves equal to € 18,632 thousand

2.2 Capital adequacy

A. Qualitative disclosure

As shown in the table on the bank's risk-weighted assets and capital ratios, it had a CET1 ratio of 21.15%, a Tier 1 ratio of 21.15 and a Total capital ratio of 21.15% at 31/12/2023, well above the minimum mandatory requirements of CRR/CRD IV and Bank of Italy's instructions in its Circular no. 285/2013.

The prudential capital requirements of € 74.5 million refer to credit, operational and market risks. The lending business requires the largest portion of capital, with credit risk requirements of € 54.0 million.

Risk-weighted assets amount to € 931.8 million.

B. Quantitative disclosure

Category/Amount	Unweighted amounts		Weighted amounts/requirements	
	Total 31/12/2023	Total 31/12/2022	Total 31/12/2023	Total 31/12/2022
A. EXPOSURES				
A.1 Credit and counterparty risk	**2,268,662**	**2,580,111**	**674,451**	**683,780**
1. Standard method	2,268,662	2,580,111	674,451	683,780
2. IRB approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**53,956**	**54,702**
B.2 Risk of adjustments to credit rating			**18**	**782**
B.3 Regulation risk			**-**	**-**
B.4 Market risk			**8,192**	**8,217**
1. Standard method			8,192	8,217
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**12,375**	**10,732**
1. Basic method			12,375	10,732
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**74,541**	**74,433**
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			**931,763**	**930,413**
C.2 CET1/risk-weighted assets (CET1 ratio)			**21.15%**	**18.45%**
C.3 Tier 1/risk-weighted assets (Tier 1 ratio)			**21.15%**	**18.45%**
C.4 Total own funds/risk-weighted assets (Total capital ratio)			**21.15%**	**18.45%**

PART H
Related party transactions

General information

The bank's board of directors has identified the entities that qualify as related parties pursuant to IAS 24.
They are:

1. Fondazione Cassa di Risparmio di Fermo, which holds 66.67% of the bank's ordinary shares and controls it;
2. Banca Intesa S.p.A., which holds 33.33% of the bank's ordinary shares and has significant influence thereover;
3. directors and managers, due to their strategic powers;
4. the statutory auditors, due to their supervisory powers;
5. spouses and immediate descendants of the parties listed in points 3 and 4;
6. subsidiaries companies or companies over which the parties listed in points 3, 4 and 5 have significant influence.

The key managers' remuneration is given with separate mention of the directors' and statutory auditors' fees compared to the remuneration of directors which receive (as provided for by IAS 24.16) short-term benefits, which include direct and indirect costs, and termination benefits. All other forms of remuneration covered by the standard are excluded. Specifically, managers do not have incentive plans tied to profits, further to that provided for in the second level national labour contracts, or pension plans other than those existing for employees. There are no stock option plans.

Transactions undertaken by the bank with its related parties (as defined above) comply with the ruling legislation, are fair and take place at market prices.

The bank has not performed atypical or unusual transactions with related parties during the year, i.e., transactions that do not form part of its normal operations or that would have a significant impact on its financial position, results of operations and cash flows.

1. Key managers' remuneration (in Euros)

Tax base / Amount	Amount at 31/12/2023
C. Managers	**593,257**
Short-term benefits	565,984
Current termination benefits	27,273
Total termination benefits	*281,105*
A. Directors	**294,668**
Remuneration	294,668
B. Statutory auditors	**141,164**
Remuneration	141,164

(values expressed in Euros)

The short-term benefits of € 565,984 include salaries and indirect costs relating to two managers.

"Total termination benefits" for € 281,105 includes the costs post-employment benefits accrued in favour of the two managers mentioned above.

"Remuneration" relating to directors (€ 295 thousand) and statutory auditors (€ 141 thousand) include the amounts relating to their individual remits, therefore excluding the amounts paid to them as cost reimbursements and premiums for liability insurance.

2. Related party transactions (€'000)

	Assets	Liabilities	Costs	Revenue	Guarantees received
A. Directors	22	832	14	6	72
B. Statutory auditors	-	491	9	1	15
C. Managers	-	158	5	5	50
D. Family members	266	242	11	26	305
E. Other related parties	4,041	1,833	183	277	769
Total	**4,329**	**3,556**	**222**	**315**	**1,211**

Item "E. Other related parties" includes the relations held with the bank's investors and companies associated with the directors.

The bank holds voting rights greater than 10% on shares of companies acquired as collateral, as greater guarantee of credit, for which, in fact, it does not exercise the voting right at the shareholders' meeting.

The shares acquired as collateral are regularly indicated in the disclosure base as: "P – ownership structures of credit and financial institutions".

The above table does not indicate the exposures with those companies since by not exercising the voting right, there is no resulting influence.

PART M
Lease reporting

Section 1 – Lessee

Qualitative disclosure

IFRS16 applies to all types of contracts containing a lease, i.e. to contracts that provide the lessee with the right to control the use of an identified asset for a certain period of time (period of use) in exchange for a fee.

The analysis of the contracts falling within the scope of application of the standard mainly involved those related to: (i) property, (ii) vehicles and (iii) hardware.

Property lease contracts represent the most significant impact area of implementation since they make up 87% of the value of the rights of use. Vehicles make up a negligible amount of the right of use.

The impacts of the hardware segment are marginal.

All contracts refer to operational leases.

The property lease contracts mostly include properties used as offices or banking branches and have terms longer than 12 months and typically include options for renewal and termination that can be exercised by the lessor or lessee according to the law or specific contractual provisions. These contracts do not include the option to purchase at the end of the lease or significant reinstatement costs for the bank.

For vehicles, these are 4- or 5-year rental contracts referring to the company fleet provided to employees (private and business use) or the bank's company units.

The contracts related to electronic machinery range from 5 to 7 years. These long-term contracts have no options for renewal and do not include the option to purchase the asset.

During FTA of IFRS16, the bank adopted some simplifications set out by the standard under section C10 et seq.; in particular, short-term contracts (term equal to or less than 12 months) were excluded. The bank also opted not to apply the new standard to contracts with an overall term equal to or less than 12 months and to low-value contracts (underlying asset worth €5,000 or less when new). In this case, the fees related to these leases are recognised at cost – similarly to how they were recognised in the past. No short-term or low-value contracts were signed in 2023.

With specific reference to property leases, the bank decided to only consider the initial period of renewal as reasonably certain for all new contracts (including at the date of FTA). On the basis of the characteristics of the Italian lease contracts and the provisions of Law no. 392/1978, when signing a new lease contract with a contractual term of six years and the optional automatic renewal of the contract every six years, the overall duration of the lease will be at least twelve years. Future payment flows, pursuant to the accounting standard in question, have been subject to a discounting process in order to form the lease liability. The discounting rate takes into account the following considerations:

1) Interbank rates increased in 2023;

2) The discounting effects are in any case modest even in the case of higher interest rates applied in light of the short-term trend of cash flows tied to these contracts;

3) High discounting rates would nullify the transparency of the balance of the values recognised in future financial statements, therefore imposing the need for a significant disclosure.

In consideration of the above, a 1% rate was considered when discounting the lease liability. Therefore the discounting effect is € 109 thousand.

The quantitative impacts have been described in the relative sections in the notes to the financial statements, specifically:

- in Section 8 of Assets - Property, equipment and investment property;
- in Section 1 of Liabilities - Table 1.2 - Financial liabilities at amortised cost: breakdown of due to customers by product;
- in Section 1 of Liabilities - Table 1.2.1 - Lease liabilities: performance;
- in Section 1 of Liabilities - Table 1.2.2 - Lease liabilities: time bracket;
- in Section 12 of Profit or loss - Table 12.1 - Net impairment losses on property, equipment and investment property - Caption 180.

Annexes to the financial statements

The annexes include:

a) – a list of the sections and financial statements captions that have not been presented;

b) – a list of property;

c) – a list of HTCS equity investments;

d) – treasury and cash services.

Sections and tables not presented

This list shows the tables in the notes that have not been presented due to the lack of amounts/operating information:

PART B – NOTES TO THE BALANCE SHEET

ASSETS

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

2.3 Financial assets at fair value through profit or loss: breakdown by product

2.4 Financial assets at fair value through profit or loss: breakdown by debtor/issuer

SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CAPTION 30

3.3a Financing at fair value through other comprehensive income subject to COVID-19 support measures: gross amount and total impairment losses

SECTION 5 - HEDGING DERIVATIVES

5.1 Hedging derivatives: breakdown by type and level

5.2 Hedging derivatives: breakdown by hedged item and type

SECTION 6 - MACRO-HEDGING ADJUSTMENTS TO FINANCIAL ASSETS

6.1 Adjustments to hedged assets: breakdown by hedged portfolio

SECTION 7 - EQUITY INVESTMENTS

7.1 Equity investments: information

7.2 Significant equity investments: carrying amount, fair value and dividends received

7.3 Significant equity investments: financial information

7.4 Non-significant equity investments: financial information

7.5 Equity investments: changes

7.6 Commitments for interests in jointly controlled entities

7.7 Commitments for investments in associates

7.8 Material restrictions

7.9 Other information

SECTION 8 – PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

8.3 Property and equipment: breakdown of revalued assets

8.4 Investment property: breakdown of assets measured at fair value

8.5 Inventories of property, equipment and investment property covered by IAS 2: breakdown

8.8 Inventories of property, equipment and investment property covered by IAS 2: changes

8.9 Commitments to purchase property, equipment and investment property

SECTION 9 - INTANGIBLE ASSETS

9.3 Intangible assets: other disclosures

SECTION 11 - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISPOSAL GROUPS

11.1 Non-current assets classified as held for sale and disposal groups: breakdown by type

LIABILITIES

OTHER INFORMATION

PART C - NOTES TO THE INCOME STATEMENT

PART L – SEGMENT REPORTING

PART M – LEASE REPORTING

SECTION 1 – LESSEE

Quantitative disclosure

SECTION 2 – LESSOR

Qualitative disclosure

Quantitative disclosure

1. Notes to the balance sheet and the income statement
2. Finance leases
   2.1 Classification by time bracket of the payments to be received and reconciliation with financing for leases recognised in the assets
   2.2 Other information
3. Operational leases
   3.1 Classification by time bracket of the payments to be received
   3.2 Other information

Property

PROPERTY	REVALUATION pursuant to Law 72/83	pursuant to Law 218/90	pursuant to Law 413/91	GROSS AMOUNT	including: land	including: buildings	CARRYING AMOUNT OF BUILDINGS
Fermo Via Don E. Ricci,1	1,011,739.07	2,017,280.65	401,803.47	3,498,627.99	349,862.81	3,148,765.18	87,087.05
Fermo Campoleggio Corso Marconi, 19	103,291.38	274,755.07	42,865.92	432,750.15	43,275.02	389,475.13	11,434.29
Fermo Campoleggio - extension Corso Marconi, 19	-	-	1,549.37	19,039.38	1,903.94	17,135.44	55.83
Carassai Piazza Leopardi 8/9	25,822.84	24,273.47	11,362.05	66,563.76	8,653.29	57,910.47	1,240.10
Cupramarittima Via E. Ruzzi, 9	-	211,230.87	47,514.03	436,910.79	-	436,910.79	10,349.74
Grottazzolina Via Verdi, 5	51,645.69	32,020.33	25,306.39	124,894.81	-	124,894.81	2,293.10
Montegranaro Piazza Mazzini	175,595.35	47,867.29	41,501.96	200,509.38	-	200,509.38	3,574.71
Monterubbiano Piazza Calzecchi Onesti, 9	46,481.12	63,007.74	18,592.45	131,741.32	13,174.13	118,567.19	2,937.54
Monte San Pietrangeli Via S. Antonio, 6	-	64,040.66	4,131.66	140,636.48	-	140,636.48	5,625.55
Montottone Piazza Leopardi, 8	37,184.90	29,954.50	14,977.25	85,204.37	10,224.52	74,979.85	1,581.54
Monturano Via Gramsci, 32/A	232,405.60	583,079.84	129,114.22	1,058,503.84	158,775.58	899,728.26	24,214.53
Petritoli Via Mannocchi Tornabuoni, 25	28,405.13	88,314.13	12,911.42	135,285.44	13,528.54	121,756.90	3,644.15
Falerone fraz. Piane di Falerone Viale della Resistenza, 95	51,645.69	205,549.85	26,339.30	301,981.85	75,495.47	226,486.38	6,956.76
Porto S. Elpidio Via S.Giovanni Bosco, 10	180,759.91	203,484.02	76,952.08	487,019.99	97,404.00	389,615.99	8,973.90
Porto S. Elpidio - Faleriense Via Marina, 1	180,759.91	167,848.49	81,600.19	499,256.17	70,224.58	429,031.59	28,336.84
Porto S. Giorgio - registered office Via Annibal Caro, 11	-	2,471,246.26	73,853.34	5,703,013.66	1,140,602.74	4,562,410.92	86,181.73
S. Elpidio a Mare Via Roma, 31	129,114.22	523,170.84	65,590.03	764,747.17	-	764,747.17	23,550.34
S. Elpidio a Mare extension 1981 Via Roma, 31	-	-	34,602.61	127,207.59	-	127,207.59	1,384.07
S. Elpidio a Mare extension 1983 Via Roma, 31	-	-	33,569.70	139,393.78	-	139,393.78	1,342.81
Fermo Piazza Mascagni, 4	154,937.07	211,747.33	66,106.48	455,484.95	-	455,484.95	11,114.25
Fermo - Piazza Mascagni extension 1984	-	-	5,164.57	25,169.18	-	25,169.18	206.52
Fermo Via Ognissanti	-	11,878.51	4,648.11	29,035.21	3,484.22	25,550.99	581.78
Fermo Corso Cavour, 104	-	1,066,999.95	217,428.35	2,647,791.16	264,779.13	2,383,012.03	46,239.31
S. Elpidio a Mare - Casette d'Ete Corso Garibaldi, 3	-	203,484.02	83,149.56	678,504.31	33,925.22	644,579.09	10,892.18
Fermo Viale Trento, 182	-	3,083,247.69	601,672.29	7,454,739.36	1,490,947.88	5,963,791.48	117,917.60
S. Benedetto del Tronto Via Liberazione, 190	-	820,650.01	211,230.87	2,356,260.19	164,938.21	2,191,321.98	38,385.90

PROPERTY	REVALUATION			GROSS AMOUNT	including: land	including: buildings	CARRYING AMOUNT OF BUILDINGS
	pursuant to Law 72/83	pursuant to Law 218/90	pursuant to Law 413/91				
Civitanova Marche Via Cairoli, 22	-	388,375.59	30,987.41	804,859.80	-	804,859.80	16,774.52
Porto S. Elpidio - Faleriense Piazza Giovanni XXIII, 14	232,405.60	108,455.95	-	419,019.11	-	419,019.11	213,863.82
Fermo Area di Viale Ciccolungo	-	-	-	0.01	-	0.01	-
Grottazzolina Via Fonterotta	-	-	-	476,932.12	-	476,932.12	476,932.12
Pescara Piazza Duca d'Aosta, 30	-	-	-	1,908,478.18	-	1,908,478.18	133,593.36
Montegranaro Via Gramsci	-	-	-	465,720.02	-	465,720.02	123,415.82
Recanati Santacroce 34/E	-	-	-	301,285.46	60,257.09	241,028.37	63,872.56
Rome Via Puglie 15/21	-	-	-	2,932,724.03	-	2,932,724.03	1,217,080.49
Colli del Tronto Via Matteotti, 2	-	-	-	342,295.20	-	342,295.20	143,840.19
Porto S. Elpidio - Renovation Via S. Giovanni Bosco, 10	-	-	-	497,084.46	99,416.89	397,667.57	165,031.99
Falerone fraz. Piane - Renovation Viale della Resistenza, 95	-	-	-	111,836.61	-	111,836.61	61,498.93
Montegiorgio - Loc. Piane Via A. Einstein, 8	-	-	-	869,227.16	116,000.00	753,227.16	503,833.70
Fermo Via G. da Palestrina 13/19	-	-	-	418,945.49	-	418,945.49	279,311.01
Fermo Piazza del Popolo, 38	-	-	-	16,400.00	-	16,400.00	11,250.40
San Benedetto del Tronto Via Francesco Fiscaletti	-	-	-	918,260.22	-	918,260.22	642,598.47
Recanati Via Villa Musone, no street number	-	-	-	306,356.00	-	306,356.00	222,016.19
Magliano di Tenna Via Monti Sibillini, 9	-	-	-	272,000.00	-	272,000.00	239,360.00
Montecchio (TR) Via San Rocco, no street number	-	-	-	299,320.32	-	299,320.32	267,801.89
TOTAL	**2,642,193.48**	**12,901,963.06**	**2,364,525.08**	**39,361,016.47**	**4,216,873.26**	**35,144,143.21**	**5,318,177.58**

List of HTCS equity investments

OTHER FUNCTIONAL INVESTMENTS	Carrying amount at 2022	Changes in 2023			Carrying amount at 12/2023	including: remeasurement of contribution value	including: valuation
		(+) Purchases	(-) Sales/ reimbursements	(+/-) Fair value			
SEDA - Soc.Elaborazione Dati S.p.A.	0.00	0.00	0.00	0.00	0.00	0.00	0.02
BANK OF ITALY	15,000,000.00	0.00	0.00	0.00	15,000,000.00	0.00	0.00
Intesa Sanpaolo S.p.A.	84,080.12	0.00	0.00	22,585.80	106,665.92	0.00	10,540.34
Bancomat S.p.A.	21,945.00	0.00	0.00	0.00	21,945.00	0.00	1.00
CBI S.c.p.a.	3,022.00	0.00	0.00	0.00	3,022.00	0.00	0.00
Alipicene S.r.l. - In Liquidation	0.00	0.00	0.00	0.00	0.00	0.00	-2,582.00
S.W.I.F.T. - Brussels	2,529.08	0.00	0.00	0.00	2,529.08	0.00	0.00
Fermano Leader s.c.a.r.l	3,000.00	0.00	0.00	0.00	3,000.00	0.00	0.00
CSE Consorzio Servizi Bancari S.r.l.	6,250,000.00	0.00	0.00	0.00	6,250,000.00	0.00	-80,000.00
CARICESE S.r.l.	20,000.00	0.00	0.00	0.00	20,000.00	0.00	0.00
CONFIDICOOP MARCHE	100,000.00	0.00	0.00	0.00	100,000.00	0.00	0.00
Voluntary Scheme c/o Interbank Guarantee Deposit Fund (C.R. CESENA)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Italian Dream Factory S.r.l.	0.00	0.00	0.00	0.00	0.00	0.00	-315,792.68
NEXI S.p.a.	673,654.48	0.00	0.00	2,276.48	675,930.96	0.00	653,864.50
TOTAL AS PER ACCOUNTING RECORDS	**22,158,230.68**	**0.00**	**0.00**	**24,862.28**	**22,183,092.96**	**0.00**	**266,031.18**

Treasury and cash services

Treasury and cash services.

Treasury services	
Body	**Municipality**
A.A.T.O. 4 Marche Centre-South	Sant'Elpidio a Mare (FM)
Municipality of Altidona	Altidona (FM)
Municipality of Belmonte Piceno	Belmonte Piceno (FM)
Municipality of Campofilone	Campofilone (FM)
Municipality of Comunanza	Comunanza (AP)
Municipality of Carassai	Carassai (AP)
Municipality of Falerone	Falerone (FM)
Municipality of Fermo	FERMO
Municipality of Grottazzolina	Grottazzolina (FM)
Municipality of Lapedona	Lapedona (FM)
Municipality of Magliano di Tenna	Magliano di Tenna (FM)
Municipality of Mogliano	Mogliano (MC)
Municipality of Monte Vidon Combatte	Monte Vidon Combatte (FM)
Municipality of Monte San Giusto	Monte San Giusto (MC)
Municipality of Monte San Pietrangeli	Monte San Pietrangeli (FM)
Municipality of Monsampietro Morico	Monsampietro Morico (FM)
Municipality of Monte Giberto	Monte Giberto (FM)
Municipality of Montefiore dell’Aso	Montefiore dell'Aso (AP)
Municipality of Montegiorgio	Montegiorgio (FM)
Municipality of Montegranaro	Montegranaro (FM)
Municipality of Monteleone	Monteleone di Fermo (FM)
Comune di Montelparo	Montelparo (FM)
Municipality of Monterubbiano	Monterubbiano (FM)
Municipality of Montottone	Montottone (FM)
Municipality of Moresco	Moresco (FM)
Municipality of Pedaso	Pedaso (FM)
Municipality of Petritoli	Petritoli (FM)
Municipality of Ponzano di Fermo	Ponzano di Fermo (FM)
Municipality of Porto San Giorgio	Porto San Giorgio (FM)
Municipality of Porto Sant’Elpidio	Porto Sant’Elpidio (FM)
Municipality of Rapagnano	Rapagnano (FM)
Municipality of Ripe San Ginesio	Ripe San Ginesio (MC)
Municipality of Rotella	Rotella (AP)
Municipality of Sant’Elpidio a Mare	Sant'Elpidio a Mare (FM)
Municipality of Servigliano	Servigliano (FM)
Municipality of Torre San Patrizio	Torre S. Patrizio (FM)
Province of Fermo	FERMO
Unione Montana dei Sibillini	Comunanza (AP)

Cash services	
Body	**Municipality**
Conservatorio Musicale “G.B. Pergolesi”	FERMO
ISC Fracassetti - Capodarco di Fermo	FERMO
Istituto Tecnico Industriale Statale "G. Montani"	FERMO
Liceo Artistico “U. Preziotti - O. Licini”	FERMO
Liceo Ginnasio "Annibal Caro"	FERMO
Liceo Scientifico “Calzecchi Onesti”	FERMO
Ordine Dottori Commercialisti ed Esperti Contabili	FERMO

Deloitte.

Deloitte & Touche S.p.A.
Piazza Malpighi, 4/2
40123 Bologna
Italia

Tel: +39 051 65811
Fax: +39 051 230874
www.deloitte.it

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 Fermo S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cassa di Risparmio di Fermo S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2023, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and the explanatory notes including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2023, and of its financial performance and its 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 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 Financial Statements* section of our report. We are independent of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification of performing loans to customers measured at amortized cost classified in Stage 2

Description of the key audit matter	As reported in paragraph "Lending" of the Directors' report and in the explanatory notes - Part B – Notes to the Balance Sheet as at December 31, 2023, performing loans to customers measured at amortized cost of Cassa di Risparmio di Fermo S.p.A. show a gross amount of Euro 1,173.7 million, reduced by portfolio adjustments of Euro 14.1 million, to come to a net amount of Euro 1,159.6 million, resulting in a coverage ratio of 1.20%. A gross amount of Euro 227.3 million of the above mentioned loans are classified in Stage 2 with a coverage ratio of 5.03%. As reported in the explanatory notes - Part E – Risks and related hedging policies, as part of its policies for managing loans to customers, the Bank adopted rules and processes for monitoring credit exposures, which have entailed, among other things, a structured action of classification into homogeneous risk categories (stage). Given significance of the amount of performing loans to customers measured at amortized cost classified in *stage* 2 recorded in the financial statements and the complexity of the process of classifying loans to customers into homogeneous risk categories followed by the Bank (stage), which took into account also the current geopolitical and macroeconomic scenario, we considered the classification of performing loans to customers measured at amortized cost classified in *stage* 2 a key audit matter of the financial statements of the Bank as at December 31, 2023.
Audit procedures performed	The main procedures carried out as part of our audit work were, among others, as follows: • gaining an understanding of the internal regulations and processes implemented by the Bank for classifying performing loans to customers measured at amortized cost and monitoring their quality, in order to verify the compliance with the regulatory framework and the applicable accounting standards; • checking the implementation and operating effectiveness of the relevant controls identified in relation to those processes; • drawing qualitative and trend analysis of performing loans to customers measured at amortized cost by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;

- checking, on a sample basis, the classification of performing loans to customers measured at amortized cost classified in *stage* 2 in accordance with the regulatory framework;

- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans

Description of the key audit matter	As reported in paragraph "Lending" of the Directors' report and in the quantitative information relating to credit risk disclosed in Part E - Risks and related hedging policies of the explanatory notes as at December 31, 2023, non-performing loans to customers measured at amortized cost of Cassa di Risparmio di Fermo S.p.A. show a gross amount of Euro 68.6 million, reduced by specific adjustments of Euro 41.7 million, resulting in a net amount of Euro 26.9 million. The Directors' report also shows that the coverage ratio of non-performing loans to customers measured at amortized cost as at December 31, 2023 is equal to 60.83%. More specifically, the above-mentioned non-performing loans to customers, classified in accordance with IFRS 9 "Financial Instruments" as the so-called "stage three", include bad loans for a net value of Euro 15.2 million and a coverage ratio of 65.71% and unlikely to pay loans for a net value of Euro 10.9 million and a coverage ratio of 52.91%. In the process of classifying loans to customers into homogeneous risk categories, the Bank refers to the sector regulations and internal rules that regulate the criteria of classification and the transfer within the different categories of risk. In determining the recoverable amount of non-performing loans to customers measured at amortized cost, the Bank, as part of its valuation policies, has used valuation processes and methods characterized by elements of subjectivity and estimate of certain variables such as, mainly, expected cash flows, time of recovery and the collaterals' recoverable amount, where present, whose modification may lead to a change in the final recoverable amount. In Part A - Accounting policies and Part E - Risks and related hedging policies of the explanatory notes - disclosures are provided on these aspects.

Given the significance of the amount of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans recorded in the financial statements, the complexity of the valuation processes adopted by the Bank, which entailed a structured action of classification into homogeneous risk categories, as well as the relevance of the discretionary components linked to the estimate of the recoverable amount (such as the estimate of expected cash flows, the time of recovery, the collaterals' value), we considered the classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans a key audit matter of the financial statements of the Bank as at December 31, 2023.

Audit procedures performed

The main procedures carried out as part of our audit work were, among others, as follows:

- gaining an understanding of the internal regulations and processes implemented by the Bank for the classification and valuation of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans, in order to verify the relevant compliance with the regulatory framework and applicable accounting standards;

- checking the implementation and the operating effectiveness of the relevant controls identified in relation to those processes;

- drawing qualitative and trend analysis of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans, by calculating appropriate qualitative and quantitative indicators in order to identify possible matters of interest;

- checking, on a sample of credit files selected also on the basis of the matters of interest emerging from the analysis referred to in the previous point, the relevant classification and determination of the recoverable amount of non-performing loans to customers measured at amortized cost classified as bad loans and unlikely to pay loans in accordance with the regulatory framework, also by obtaining and examining written confirmations by the lawyers appointed for their collection;

- checking the completeness and the compliance of the disclosures provided in the financial statements in accordance with the regulatory framework and applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank'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 Bank or for 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 Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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 Fermo S.p.A. has appointed us on April 30, 2019 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 Fermo S.p.A. are responsible for the preparation of the Directors' report of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2023, including their consistency with the related financial statements and their 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 Directors' report with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2023 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the Directors' report on operations is consistent with the financial statements of Cassa di Risparmio di Fermo S.p.A. as at December 31, 2023 and are 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Marco Benini
Partner

Bologna, Italy
April 12, 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.