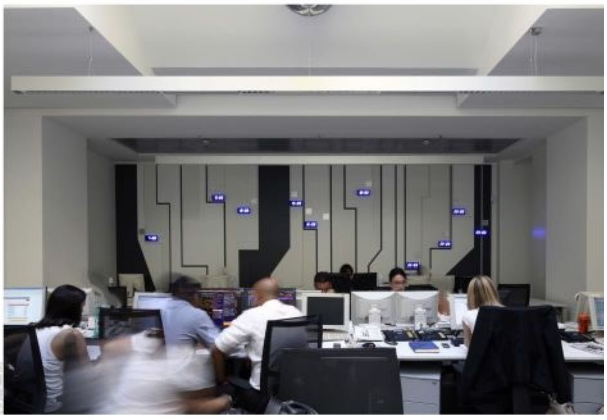
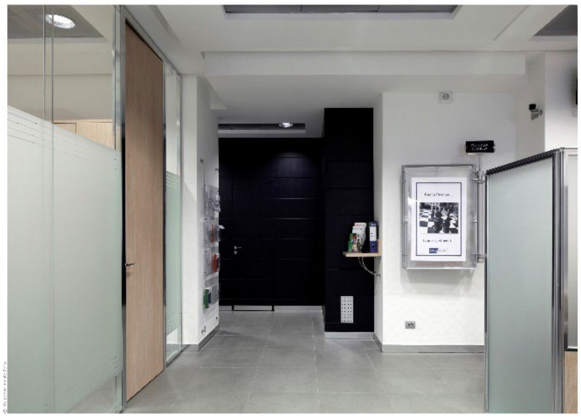
BANCA PROMOS





Financial Statement at 31 december 2023

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore, they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS

43° year

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Call of Ordinary Meeting

BANCA PROMOS S.p.A.

Registered Office in Naples, Viale Gramsci 19

Share Capital € 8,514,000.00 fully paid-up - Economic and Administrative Index no. 329424

The Shareholders are convened for the Ordinary Shareholders' Meeting which will be held at the registered office in Naples, viale A. Gramsci 19, where the secretary taking minutes will be present, on 29 April 2024 on first call at 4pm and, if necessary, on second call on 06 May 2024 at the same time and at the same place, to discuss and vote on the following agenda:

1. Approval of the financial statements as at 31 December 2023, Directors' Report, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
2. Remuneration policies;
3. Disclosure on the implementation of remuneration policies for 2023;
4. Any other business.

The Bank decided to exercise the option introduced by Article 106 of Law Decree no. 18 of 17 March 2020 as amended and/or supplemented, according to which the Shareholders' Meeting will take place remotely, through telecommunication means able to ensure in any case the identification of participants, their participation and exercise of their voting rights electronically, or by post or through the means of telecommunication used by the member.

To participate in the Shareholders' Meeting, the Shareholders must express their intention to attend it by sending - by email to the address segreteriagenerale@bancapromos.it - the certificate of participation accompanied by a valid identity document of the shareholder, or for companies, by an updated chamber of commerce certificate accompanied by a valid identity document of the beneficial owner as well as any proxy received from any other shareholder, also accompanied by the documents described above. Voting will be by roll call and the secretary will collect any vote declarations.

The Chairman of the Board of Directors

Ugo Malasomma

Management and Independent Auditors

Board of Directors

Ugo Malasomma *(Chairman)*

Tiziana Carano *(CEO)*

Stefano de Stefano

Umberto De Gregorio

Luigi Gorga

Board of Statutory Auditors

Riccardo Pascucci *(Chairman)*

Angela Lusi *(Standing Auditor)*

Sergio Vilone *(Standing Auditor)*

Filomena Di Maio (*Alternate Auditor*)

Giorgio Gargiulo *(Alternate Auditor)*

Independent Auditors

KPMG S.p.A.

General aspects

The financial statements of Banca Promos SpA, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretation documents of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date.

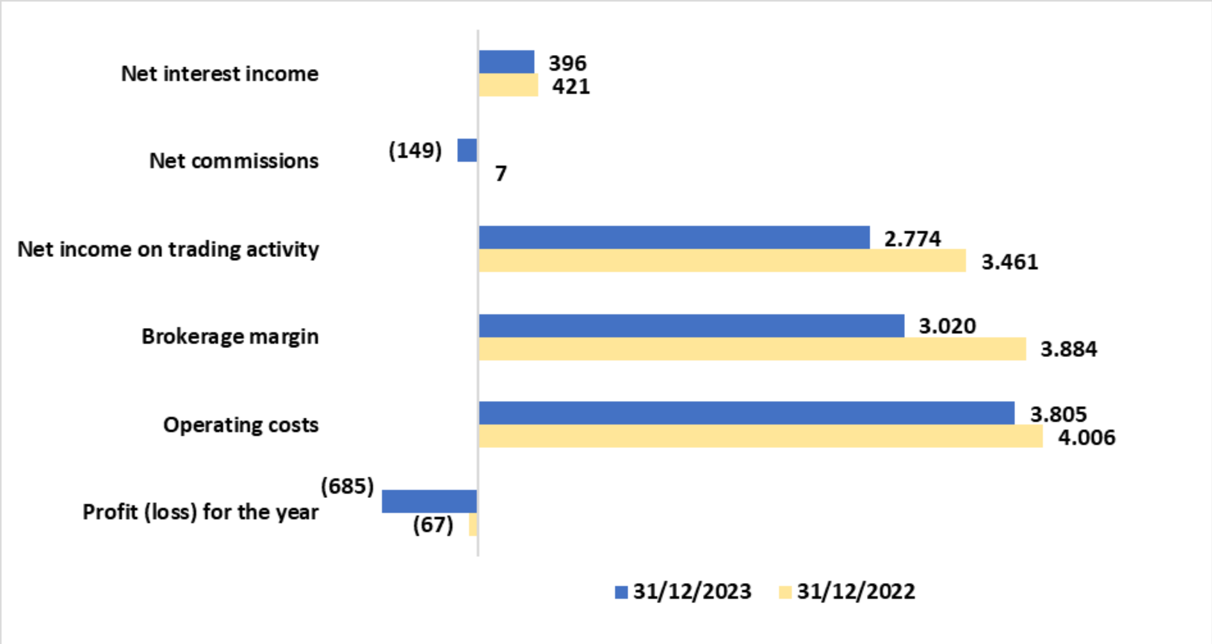
These financial statements have been prepared on the basis of the instructions contained in Banca d'Italia's Circular no. 262 of 22 December 2005 entitled "Banks' financial statements: formats and drafting instructions", as amended and supplemented. The eighth update of the aforementioned Circular, issued on 17 November 2022, is currently in force.

It should also be noted that with the Communication dated 14 March 2023, Banca d'Italia repealed and replaced the previous Communication, dated 21 December 2021, which supplemented the measures set out in Circular no. 262 regarding the impacts of COVID-19 and the measures to support the economy. As a consequence of the changes to the scenario occasioned by the pandemic, reporting information is no longer contemplated regarding lending moratoria, while information is now requested on loans subject to public guarantee, in a free format, to be provided at the bottom of a number of tables in the sections in the Notes on the balance sheet and on credit risk. In this regard, please note that at the reporting date, no loans subject to public guarantee were identified, in keeping with the situation also indicated in previous years.

The Financial Statements consist of Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement, the Notes and the pertinent comparative information. They are also accompanied by the Directors' Report.

Financial Highlights and Ratios

Financial Highlights and Performance Ratios
(€/000)

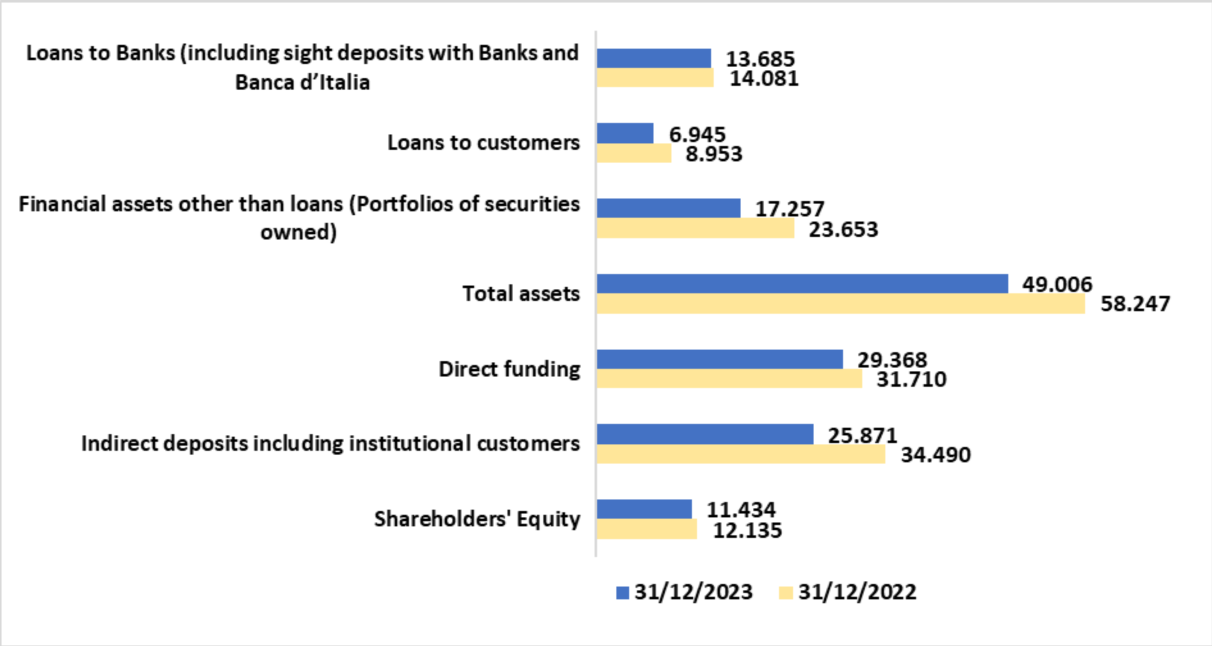


Ratios	31/12/2023	31/12/2022	Changes	Changes in %
Net result / Shareholders' equity (ROE)	**(6.0)**	(0.6)	(5.4)	-
Net result/Total assets (ROA)	**(1.4)**	(0.1)	(1.3)	-
Cost/income ratio*	**126.0**	103.1	22.9	22.2
Net interest income / Brokerage margin	**13.1**	10.8	2.3	21.3
Net income on trading activity / Brokerage margin	**91.9**	89.1	2.8	3.1
Net result of financial operations / Total assets	**6.4**	6.6	(0.2)	(3.0)

(*) Indicator calculated as the ratio of operating costs to the brokerage margin

Financial Highlights and Equity Ratios

(€/000)



Loans to banks: figure net of bank debt securities reclassified under "Financial assets other than loans (proprietary portfolio)".

RISK RATIOS	31/12/2023	31/12/2022	Changes	Changes in %
Gross NPL ratio	**26.2**	25.3	0.9	3.6
Net NPL ratio	**16.0**	16.4	(0.4)	(2.4)
Texas Ratio*	**10.5**	12.8	(2.3)	(18.0)
Overall adjustments to receivables/gross loans (coverage ratio)	**14.1**	12.9	1.2	9.3
Net non-performing loans / Loans to customers	**4.9**	6.7	(1.8)	(26.9)
Net unlikely to pay / Loans to customers	**7.0**	9.1	(2.1)	(23.1)
Net past due and overdrawn loans / Loans to customers	**4.1**	0.6	3.5	-

(*) Indicator calculated as the ratio of Net NPL to the CET1 Phased-in

Capital ratios

(€/000)

Data (€/000)	31/12/2023	31/12/2022	Changes	Changes in %
Total RWA*	**31,230**	**40,099**	(8,869)	(22.1)
Own funds*	**10,539**	**11,478**	(939)	(8.2)
Common Equity Tier 1 Ratio*(Equity Tier 1/Risk-weighted assets)	**33.75**	**28.62**	5.1	17.9
Tier 1 Ratio* (Equity Tier 1/Risk-weighted assets)	**33.75**	**28.62**	5.1	17.9
Total Capital Ratio*	**33.75**	**28.62**	5.1	17.9
CET1* surplus compared to Minimum Requirement (4.50%)	**9,134**	**9,674**	(540)	(5.6)
T1* surplus compared to Minimum Requirement (6.00%)	**8,665**	**9,072**	(407)	(4.5)
Own Funds* surplus compared to Minimum Requirement (8.00%)	**8,041**	**8,270**	(229)	(2.8)

(*) Phased-in

Structure Data

Structure Data (units)	31/12/2023	31/12/2022	Changes	% change
Number of employees (FTE=1)	**29**	30	(1)	(3.3)
Bank branches	**1**	1	-	-

Directors' Report

Dear Shareholders,
The draft Financial Statements as at 31 December 2023, which we submit to the attention of today's Meeting, were drawn up according to the IAS/IFRS international accounting standards on a going concern basis, the Institute's own Funds being also adequate to cover the risks to which it is exposed, and in compliance with the additional prudential requirements established by Banca d'Italia.

As usual, we open this report by briefly illustrating the events and trends that have characterised the global economic and financial landscape, in order to set the activities and results of our Bank within context and then proceed with a specific analysis in the subsequent sections of this document, in the financial statements and in the Notes.

The reference framework

2023 began with a reasonable degree of structural recovery, following the final after-effects of the pandemic and the gradual reopening of China, but around the middle of the year, it had to absorb the strong shock waves caused by the crisis involving four large US banks and the Swiss bank Credit Suisse, and the year ended with new geo-political tensions triggered by the dramatic developments in the Middle East, in addition to the continuing war in Ukraine and the difficulties experienced by the Chinese economy, worsened by a strong crisis in the property sector.
While vigorous performance was observed in the service industries in the main economies, manufacturing and international trade appeared weak, with the latter more severely affected than other sectors by the lower degree of economic integration at international level caused by the wars under way and the resulting restrictions and sanctions, which have caused changes to trade flows between the various countries.

Overall, the global situation was marked by a degree of weakness.
The restrictive monetary policies implemented by the main central banks have undoubtedly contributed to containing and reducing inflation. During the second half of the year, consumer price inflation fell in the USA and the UK, while in Japan, despite an increase in remuneration that has supported prices, core inflation remained modest compared to the other leading economies.

In the euro area, 2023 saw a persistent stagnation of economic activity, caused above all by a weak manufacturing and construction sector, while services performed more soundly.
During 2023, the Board of Directors of the ECB raised interest rates six times between February and September, taking interest rates on main refinancing operations (MRO) to 4.50%. It was then considered that this level could contribute to the achievement, in the medium term, of an inflation rate of 2%, so no further action was taken during the meetings held in October and December.
GDP remained relatively flat in all the main countries, with the exception of Spain, where consumption rose significantly. The euro area witnessed a continuation of the negative economic trend evident in recent months, with both foreign and domestic demand remaining weak.
In Italy, in line with the general trend in the eurozone, GDP growth was very slow (+0.7%), especially during the last months of the year, due to both the monetary restrictions and high energy prices, as well as persistently weak foreign demand. Domestic product dynamics in Italy showed reasonable growth in the construction and tertiary sectors, but significant reductions in other industrial sectors, as well as in agriculture, fishing and forestry.

Financial markets

Mainly in the second half of the year, international economic prospects worsened, which did not, however, prevent a general upturn in stock prices, which, at the close of the year, benefited, in the main countries, from the drop in yields on government securities, which were in turn influenced by the expectation of a reduction in interest rates for 2024. All international stock markets recorded their best performance in recent years.
Excellent results were recorded for the US stock market indicators (S&P 500 +24.6%, Nasdaq +43.42%, Dow Jones +13.8%) and for the Nikkei 225 index in Tokyo (+28.2%), while the other stock markets in Asia seem to have been more affected by the difficulties experienced by the Chinese economy. The Hong Kong stock exchange, for example, ended 2023 with a drop of 14%.
In Europe, with the exception of the London stock exchange, which rose by just 3%, stock markets obtained excellent results: on the German stock market, the DAX index in Frankfurt rose by 20.31%; in Paris, the CAC40 grew by 16.52%; the Ibex35 in Madrid climbed by 22.90%, and the Milan stock exchange registered the best performance in the area, ending 2023 up 28.03% compared to the previous year, higher than the European average (Eurostoxx 50 index +19%) and the aforementioned S&P 500 in the USA.

Yields on government securities fell almost everywhere. Specifically, the ten-year BTP dropped by more than 20% at the end of 2023, to 3.69%, reducing to 164 points (from 210 at the end of 2022) the spread with the German bund with the same duration, which also registered a significant drop, to 2.02%.

On the exchange market, a focus on the main currencies shows a depreciation of the dollar against the euro, and this dynamic has also been strongly conditioned by monetary policy. The euro benefited in part, especially at the beginning of the year, by the repeated rises in interest rates determined by the ECB, and the euro/dollar exchange rate ended 2023 at 1.1039.

The Banking Sector

The general performance of the economy, strongly characterised, as we have seen, by restrictive monetary policy choices, could not fail to be reflected in the banking market, also in Italy. This is confirmed by the quantitative information published by ABI in its traditional Monthly Outlook in January 2024.

The restrictive monetary policy continues to determine a reduction in funding, caused both by a reallocation from sight deposits towards more remunerative financial instruments and by a drop in Eurosystem refinancing.

In this framework, total direct deposits recorded a drop of 1.5% in December 2023, compared to the previous year, in particular as a result of a 19% rise in medium and long-term indirect deposits, while deposits from customers fell by 3.8%, indicative of a reallocation of sight deposits towards more remunerative instruments.

The average rate applied to total deposits increased to 0.96% in December, with the rate applied to current account deposits standing at 0.53% and the rate applied to new deposits with a set duration (i.e. certificates of deposit and time deposits) rose to 3.91% in December. In this regard, ABI notes that this rate was slightly higher than average in November in Italy (Italy 3.82%; Euro area 3.56%).

In December 2023, given the slowdown in economic growth, and as a result of the strict offer criteria, demand for loans continued to fall, with a 3.9% decrease in total bank loans compared to the previous year (loans to households and businesses down by 2.2%)

The average interest rate on total loans amounted to 4.76%, stable compared to the previous month but up compared to 2022.

Non-performing loans net of write-downs and provisions already made by banks with own funds, amounted to €17.7 billion in November 2023, up compared to the value of the previous year (€16.7 billion). The ratio of non-performing loans to total loans rose to 1.05% in November 2023, up from 0.92% the previous year, but still nowhere close to the maximum levels reached in 2015 (4.89%).

Banca Promos Core Operations

With regard to core operations, 2023 for Banca Promos was marked by two main elements: on the one hand, the presence of a number of very challenging exogenous factors deriving from the particularly complex market circumstances already mentioned, and on the other, the operations of the Bank were affected by an internal situation influenced by the wait for the strategies identified for partnership and capital strengthening operations to come into effect. The complexity and variety of the partnership hypotheses analysed – conditioned by the aim of guaranteeing healthy, prudent management of the Bank within the regulatory framework of the banking sector, also from a future perspective – have obviously limited the possible leverage operations that could be used to tackle the market situation. The choices made by the management with regard to operations were aimed at maintaining/safeguarding its assets and those of its customers, as well as maintaining the current business lines, to avoid altering the Bank's risk profile. These aspects, illustrated in more detail below, inevitably conditioned the financial and balance sheet data recorded by the Bank during 2023, given the transition period the Bank is going through.

The Bank's brokerage margin at 31 December 2023 stood at €3,020 thousand compared to €3,884 thousand of the previous FY.

Within this aggregate, securities trading was confirmed as the main driver. With the evolution of the international economic situation, the trading activity carried out by the bank has had to adapt to new market dynamics in response to continual changes in financial markets due to geopolitical, economic and technological factors.

In these circumstances the activity of the trading desks was supported by a high level of volumes brokered, reaching €16.7 billion, significantly higher than the comparison figure (+52%, +€ 5.7 billion).

The incisive sales action implemented by the sales force was also confirmed in 2023, with the business units closing the year with 239 counterparties served, located in 46 countries worldwide. During the year, relationships were established with 25 new clients located in 19 different countries.

In this scenario however, the Bank's trading activity achieved a result of €2,774 thousand, compared to €€3,461 thousand in 2022. Although significant, the income from trading activity was affected by a strong narrowing of the bid-ask spread of the individual brokerage transactions, inevitably conditioned by a market situation paralysed by the repeated announcements of further rises in the reference official rates decided on by the ECB.

Concerning revenue deriving from the traditional banking activity, there was a significant rise in yields generated from proprietary security portfolios, up by 76% (+€201 thousand) compared to the figure at the end of 2022, ending the year with interest income of €464 thousand. The greatest contribution to the result obtained was made by the *performance* of the Bank's HTC portfolio, accounting for 88% of the total. In this aggregate, 53% of the income realised was accounted for by the IRR of the fixed-rate debt securities allocated to the HTC portfolio at 31 December 2023; the remaining 47% was derived from variable-rate securities.

Alongside this, there was a rise in interest income from customers (+26%), although this very positive figure was partially offset by a drop in related volumes. At the same time, however, the customer interest margin was negatively affected by the increased cost of funds, linked both to interest rate market movements and to the higher amount of deposits opened at the reference date.

There was an improvement in the annual net interest from Banks, and at 31 December 2023, net interest from Banks was negative for €15 thousand, compared with - €109 thousand at the end of 2022. This drop was influenced by the positive contribution made by investments in overnight deposits held with Banca d'Italia, equal to €107 thousand at the reference date, which offset the cost of funds sustained for *liquidity-providing* transactions (with the ECB); at the end of 2023, interest expense stood at €177 thousand.

The brokerage margin recorded a result of €396 thousand, slightly down compared to the comparison figure (€421 thousand).

At 31 December 2023, net commissions returned below zero, standing at €-149 thousand as a result of the rising trend in commission expense items, and specifically in in trailer fees paid back by the Bank for the trading of financial instruments.

Net adjustments/write-backs on loans to customers amounted to a positive €111 thousand, with an overall hedging level up to 14.1% at year end.

Operating costs fell by 5% (- €201 thousand), as a consequence of the constant cost-saving action on the part of the management, in spite of the level of inflation registered, and stood at €3,805 thousand at the date of the financial statements.

More in detail, the decrease regarded administrative expenses, and in particular "other administrative expenses", equal to €1,498 thousand down 7% (€ 111 thousand) from the comparison. Despite the reduction recorded as a result of the careful cost management performed by the management, the overall expenses sustained by the Bank were impacted by extraordinary cost items linked to consulting services regarding the capital strengthening operations and the implementation of plans due to regulatory adjustments (ESG), amounting to €150 thousand and accounting for 10% of the total expenses recorded at the end of the year.

Staff expenses, equal to €2,267 thousand at 31 December 2023, recorded a slight increase (+3%, 57 thousand) compared to the comparison figure (2,210 thousand). This aggregate includes the impact of the renewal of the National Collective Labour agreement for the banking sector, defined in November 2023, which resulted in an increase in staff expenses totalling €52 thousand for 2023, given the intention to pay the arrears for the grace period between the two agreements with the last remuneration of the year.

Amortisation and depreciation on intangibles and tangibles, which in accordance with IFRS 16 also included the amount relating to rights of use acquired through operational leases, decreased overall by 10% (-€39 thousand), reaching a total of €359 thousand.
The net result was also influenced, although not to a significant extent, by the tax burden, which, by virtue of the end-of-year taxable base, stood at - €5 thousand.

The Bank closed the year 2023 with a loss of €685 thousand.

Due to the above dynamics, the *cost/income ratio* for 2023 stood at 126%, from 103.1% at the end of 2022.

Looking at the balance sheet, assets totalled €49 million. Specifically, the proprietary security portfolio reached €17.3 million, down by 27% (-€6 million) compared to the balance at the end of the prior year (€23.6 million). The fall in the aggregate regarded both the Bank's HTC&S portfolio and the securities allocated to the HTC portfolio.
Debt securities measured at amortised cost amounted to €17 million, down €4 million from the comparison figure, in line with the treasury management implemented by the bank during 2023, in response to the performance of yields on bonds. In this scenario, the Bank preferred not to reinvest in further debt securities, reallocating excess liquidity to overnight deposits held at Banca d'Italia, the positive remuneration from which has benefited from repeated rises in the official rates decided by the ECB.
Loans to customers confirmed the trend already evident in preceding years, with total net loans at 31 December falling to €6,945 thousand, down €2,008 thousand from the figure at the end of 2022 (€8,953 thousand). On-balance-sheet loans and receivables are mainly made up of loans, which account for 84% of the total loan portfolio: of these, 85% are mortgage loans.

Performing loans, representing 84% of the Bank's loan portfolio at the end of 2023, amounted to €5,837 thousand net of value adjustments, recording a 22% decrease (-1,651 thousand) with respect to the comparison figure (7,488 thousand). Coverage of performing loans remained robust, although down slightly to 2.1% from 2.5% at the end of 2022, much higher than the 1.6% systemic figure recorded for the less significant banks.
The conservative approach to managing impaired loans has allowed the Bank to further improve its asset quality profile, with a decrease in gross impaired loans from €2,605 thousand to €2,118 thousand (-23%), reducing the related net exposure from the previous €1,465 thousand to €1,108 thousand at the end of 2023. At the reporting date, total provisions on impaired loans amounted to €1,010 thousand.
More specifically, within this aggregate, an improvement was recorded with regard to loan stock at greatest risk, with the incidence of net impaired loans on total loan stock falling to 4.9%, compared

to 6.7% at the end of 2022).

The coverage ratio of total impaired loans, equal to 47.7% at the date of the financial statements, was up approx. 4 percentage points compared to the levels recorded at the end of 2022 (43.8%), and much higher than the average figure of 31.8% recorded for banks in the LSI system[1].

The Bank capital is more than sufficient for the Bank to cope with its non-performing loans, as evidenced by the Texas ratio (the ratio of net non-performing loans to the Bank’s common equity tier 1 capital) which was on a downward trend as at 31 December 2023: 10.5% (12.8% at 31 December 2022).

With regard to funding, the restrictive orientation of monetary policy has had significant impacts on the dynamics governing customer deposits. At 31 December 2023, direct bank deposits totalled €29 million, down 7% (-2.3 million) on the comparison figure.

The dynamics of the aggregate comprise different performances of the various technical forms. Specifically, current accounts fell by approx. €3.5 mln compared to the end of 2022, reflecting the trend under way at systemic level: performance was impacted by the net outflows caused by the use of liquidity reserves on current accounts by customers (both private and business) to meet current needs, and, at the same time, by the diversification of savings towards government securities and bonds. Current account performance was partially balanced by the positive trend observed in savings accounts, which registered a rise in inflows due to the higher interest offered by term savings accounts. The trend of time deposits was also affected by the funding component coming from the online/digital channel. The figure of deposits opened through virtual channels as a percentage of total deposits stood at around 55%.

In line with the cash management system implemented by the Bank, the prevalence of short-term deposits, in the technical form of current accounts and sight deposits, was confirmed, amounting to €17mln and accounting for 59% of direct deposits from customers, confirming that such deposits are one of the strengths of the Bank’s liquidity position. Funding at maturity, in the forms of deposits, amounted to €12 mln, 41% of total direct funding.

At the close of the year, indirect funding amounted to € 26 million, down 25% (-€8.6 million) from the beginning of the year. The negative trend of the aggregate was impacted mainly by a significant drop registered by investments in equities, down by approx. 9.6 mln, as a result of a capital transaction involving an institutional customer, which led to a reduction in the value of the shares held in custody by the Bank at the end of the year.

There was a two-figure increase (+28%, or +€1 mln) in the debt securities held in custody for the renewed interest of savers in government securities and bonds, in the light of an increase in the yields offered.

[1] Source: Financial Stability Report no. 2/2023 published by Banca d’Italia; data referred to 30 June 2023.

The book equity, including the negative result for the year, stood at €11,434 thousand. The Bank's Own Funds at 31 December 2023 amounted to €10,539 thousand.
The capital adequacy ratios were confirmed, with a Total Capital Ratio level of 33.75%, more than double compared to the capital levels set by Banca d'Italia for 2023 at 16.20% (OCR + Capital Guidance). The Bank's capital, which adequately covers our overall exposure to credit and counterparty risk, market risk and operational risk, showed a surplus of own funds over the 8% minimum capital requirement of €8,041 thousand as at 31 December 2023.
The liquidity profile remained stable and high at the same time also in 2023, with indicators significantly above the minimum regulatory requirements: as at 31 December 2023, the LCR and NSFR indicators were 2,013% and 177.50%, respectively.

For a detailed examination of the main balance sheet and income sheet items, please refer to the specific sections in this Report.

For completeness of information on FY 2023, please note that - with a view to on-going development and remaining faithful to its vision – the Bank also embarked on a number of (Applied) Research and (Experimental) Development activities once again in the year under consideration. The overall objective was to obtain new and original tools designed to support the corporate mission, in order to create new internal processes in line with the Bank's operating needs. For a more detailed analysis of the pertinent content, please see the specific paragraph in this Report.
With reference to the payment services offered by the bank, please note that in November 2023, Banca Promos joined the "Sepa Sct Inst" scheme, which enables operations on the Instant Payment service, the European tool for the exchange of bank transfers in euros, 24/7, 365 days a year for beneficiaries located in countries in the Sepa area.
Within the framework of staff training programmes, the "Nuove Competenze" Fund - an institutional initiative designed for businesses to update the skills of their employees by using part of work hours for training – allowed for the provision during the year of training courses for all staff, delivered in different ways (asynchronous remote learning and virtual classroom) through a dedicated web platform. The training activity covered a number of different subject areas, from digital innovation to the green transition, as well as the use of social media platforms, how to improve collaboration and communication in the company, privacy regulations and cybersecurity.
Finally, please note that Law Decree no. 104 of 10 August 2023, converted, with amendments, into Law no. 136 of 9 October 2023, introduced an extraordinary tax (a windfall tax on excess profits) for banks, determined by applying a rate of 40% to the amount of the "interest margin" in item 30 of the income statement for 2023 that exceeds the same margin in FY 2021 by at least 10%. However, the legislation sets a ceiling for the tax due at 0.26% of risk-weighted assets, and offers

banks the possibility to opt out of payment of the tax theoretically owed, if they allocate an amount of two and a half times the theoretically payable amount to a non-distributable reserve.
In this regard, based on the figures recorded at 31 December 2023, the Bank is under no obligation to pay any charges for the aforementioned extraordinary tax.

Illustrated below are the significant events that occurred during 2023, as well as changes subsequent to the end of the same.

Significant Events for the Fiscal Year

Capital strengthening and search for a business partner

As already indicated in the 2022 Financial Statements, the Bank has for some time now been working on a plan to strengthen capital and to identify an industrial partnership with a view to effectively responding to the objectives highlighted by Banca d'Italia.
In continuity with the information provided in the previous Financial Statements, on 14 February 2023, the Board of Directors of the Bank acknowledged the acceptance on the part of the majority shareholders, following a complex process for the selection of possible counterparties and/or investors, of a binding offer from a holding company based in the Netherlands and operating in the finance and credit brokerage sector through trading and lending platforms, present in 11 countries worldwide.
The completion of the potential transaction was subject to the fulfilment of some conditions, including the issuance by the relevant authorities of all necessary approvals, authorisations and/or consents required by law. An authorisation system and strict information obligations for participation in the capital of banks are provided for in the regulations governing both the Italian and European banking and finance sector.
In this regard, it should be noted that during the investigations required before undertaking the authorisation process for the acquisition of control of the Bank, a number of elements came to light regarding the complexity of the group and its international geographical distribution. An assessment of these elements raised concerns regarding the possibility of successfully concluding the transaction and the timeframe necessary.
Therefore, the management and owners of the Bank concluded the negotiations with the counterparty and embarked on new contacts to identify possible alternatives. During the second half of the year, with the help of a new advisor, contacts were strengthened with a new investor that showed interest in entering the share capital of the Bank.
In the light of the developments illustrated above, in September, the Board of Directors and the Board of Auditors of the Bank, also in the light of the financial and prudential data recorded in the first six months of 2023, highlighted the importance of undertaking an initial capital strengthening

transaction to enable, in the short term, an extension of the additional capital buffer with regard to the regulatory minimum, in consideration of the timescale required for the structuring of the new transaction and pending the conclusion of the same, thus complying with the actions envisaged by the Bank within the framework of its Recovery Plan.

The offer formulated by the new investor involves the structuring of a two-stage transaction: an initial entry into the capital by underwriting a capital increase for a percentage of 9.09%, followed by – subject to the necessary authorisations – an increase in the investment.

The aim of the investment is to increase the Bank's business lines in the factoring and structured finance sectors, with a view to complementing its core activities with new segments able to guarantee an increase in revenue and profits.

The completion of the transaction is subject to the fulfilment of some conditions, including the issuance by the relevant authorities of all necessary authorisations.

Share capital increase transaction

As explained above, the aim of the share capital increase transaction was to strengthen the capital structure of the Bank, in order to increase the additional capital buffer with regard to the regulatory minimum, pending the conclusion of the partnership operation under way.

Therefore, the Extraordinary Shareholders' Meeting held on 13 November 2023 resolved to increase the share capital, by a maximum nominal amount of €774,000, through the issue, in dematerialised form, of a maximum number of 774,00 ordinary shares with a par value of €1.00 (one) each, at a unit price of €1.936, with the same characteristics as those already in circulation, and with regular dividend rights. Shareholders were granted the right of first refusal, pursuant to art. 2441, second paragraph of the Italian Civil Code. Upon expiry of the term established, no shareholder had exercised the right of first refusal, so the Board, as provided for by resolution of the extraordinary shareholders' meeting, publicly offered the newly issued shares.

The Share Capital Increase was concluded at the beginning of March 2024, with all 774,000 New Shares offered underwritten by a new shareholder for a un countervalue of € 1,500,012.00 (inclusive of a €726,012 share premium. As contemplated by the regulations, the Bank filed the certificate of completion of the share capital increase with the Chamber of Commerce of Naples, pursuant to art. 2444 of the Civil Code.

Further to the transaction, the Bank's share capital amounts to €8,514,000.00, divided into 8,514,000 common shares with a par value of €1 each, whereas the share premium account amounts to €1,796,294.

The share capital increase described here also required an amendment of the pertinent article in the articles of association once the transaction was concluded.

Balance Sheet Items

Introduction

To allow for a more straightforward reading of the Bank's financial position, a summary balance sheet has been prepared (**Table 1.1 and 1.2**) comparing the figures as at 31 December 2023 with those at FY2022 year-end.

With respect to the drafting of the reclassified balance sheet, compared to the format envisaged by Banca d'Italia Circular no. 262/2005, please note that some items were grouped/restated as follows:

As to the Reclassified Balance Sheet Assets **(Table 1.1)**:

- separate reporting of financial assets made up of Loans to Banks including sight deposits and deposits with Banca d'Italia (net of debt securities reclassified under "Financial assets other than loans: of which securities measured at amortised cost") and Loans to customers;
- separate reporting of financial assets other than loans, broken down between financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. These items are net of the aggregate items "Loans to banks" and "Loans to customers";
- Inclusion of partial item Cash and cash equivalents (Item 10 of BS - Assets) net of the sub-items b) current accounts and sight deposits with Central Banks and c) current accounts and sight deposits with banks), restated in the item Loans to banks, Tax assets (Item 100 of BS - Assets) and Other Assets (Item 120 of BS - Assets) under the residual item "Other asset items";
- the aggregation into a single item of Tangible Assets (Item 80 of BS Assets) and Intangible Assets (item 90 of BS Assets).

As to the Reclassified Balance Sheet Liabilities **(Table 1.2)**:

- separate reporting of "Payables to banks" (Item 10a) of BS - Liabilities);
- grouping in a single item of the amount of Payables to customers at amortized cost (Item 10 b) of BS - Liabilities) and of Outstanding securities (Item 10c) of BS - Liabilities);
- inclusion of the items Tax liabilities (Item 60 of BS - Liabilities), Other liabilities (Item 80 of BS - Liabilities), Employee severance indemnity (Item 90 of BS - Liabilities) under the residual item "Other liability items";
- aggregated reporting of the items Reserves (Item 140 of BS - Liabilities) and Share premium reserves (Item 150 of BS - Liabilities).

Reclassified Balance Sheet

Tab.1.1 (€/000)

Assets	31/12/2023	31/12/2022	Changes	Changes in %
Loans to banks (including sight deposits with Banks and Banca d'Italia)*	**13,685**	14,081	(396)	(2.8)
Loans to customers	**6,945**	8,953	(2,008)	(22.4)
Financial assets other than loans (securities):	**17,257**	23,653	(6,396)	(27.0)
- Financial assets measured at amortised cost, other than loans	***17,053***	*21,099*	*(4,046)*	*(19.2)*
- Financial assets measured at fair value through profit or loss	***197***	*194*	*3*	*1.5*
- Financial assets measured at fair value through other comprehensive income	***7***	*2,360*	*(2,353)*	*(99.7)*
Equity investments	**45**	61	(16)	(26.2)
Tangible and intangible assets	**5,187**	5,473	(286)	(5.2)
Other assets	**5,887**	6,026	(139)	(2.3)
Total assets	**49,006**	58,247	**(9,241)**	**(15.9)**

(*) Figure net of bank debt securities reclassified under "Financial assets other than loans (Securities): of which securities carried at amortised cost".

Tab.1.2 (€/000)

Liabilities	31/12/2023	31/12/2022	Changes	Changes in %
Payables to banks	**4,025**	11,762	(7,737)	(65.8)
Payables to customers and outstanding securities	**29,554**	31,789	(2,235)	(7.0)
Other liabilities	**3,990**	2,555	1,435	56.2
Provisions for liabilities and charges	***3***	*6*	*(3)*	*(50.0)*
of which: for commitments and financial guarantees	***3***	*6*	*(3)*	*(50.0)*
- of which other provisions for liabilities and charges (legal disputes)	**-**	-	-	-
Share capital	**7,740**	*7,740*	-	-
Reserves	**5,404**	5,471	(67)	(1.2)
Valuation reserves	**(1,025)**	(1,009)	(16)	1.6
Net result	**(685)**	(67)	(618)	-
Total liabilities and shareholders' equity	**49,006**	58,247	**(9,241)**	**(15.9)**

Net interbank position

The net interbank position (shown in **table 1**) had a positive net balance of €9,660 thousand as at 31 December 2023.

Table 1 Net interbank position

€/000	31/12/2023	Incidence in %	31/12/2022	Incidence in %	Changes	in %
Receivables from banks	**13,685**		**14,081**		**(396)**	**(2.8)**
b) Time deposit for the Mandatory Reserve	213	1.6	186	1.3	27	14.5
b) C/A and sight deposits with other banks	4,618	33.7	11,167	79.3	(6,549)	(58.6)
b) C/A and sight deposits with Banca d'Italia	8,854	64.7	2,728	19.4	6,126	-
Payables to banks	**4,025**		**11,762**		**(7,737)**	**(65.8)**
a) Current accounts and sight deposits	20	0.5	3,756	31.9	(3,736)	(99.5)
b) Term deposits	4,005	99.5	8,006	68.1	(4,001)	(50.0)
Net interbank position	**9,660**		**2,319**		**7,341**	-

The comparison analysis of the various aggregates shows that the year-on-year increase in the net interbank position is almost entirely attributable to the reduction in interbank passive exposures, which contracted by €7,737 thousand at 31 December 2023. The performance of the aggregate was impacted by the strategies adopted by the *management* of the Bank in response to the repeated rises in the official rates decided by the ECB starting from July 2022, and exposures to the ECB fell at the end of the year to €4 mln. There was also a reduction in current accounts payable, down by €3.7mln.

On the other hand, the figure for interbank asset exposure remained substantially stable, at €13,685 thousand at the end of 2023, recording a slight decrease of €396 thousand. Within this aggregate, there was a significant rise in sight deposits held at Banca d'Italia, which represented a driver: the excess liquidity present on the interbank system was reallocated and used by the Bank in overnight deposits with Banca d'Italia. This investment produced interest income amounting to €107 thousand, benefiting from the increase in the reference rates, aligned with the cost of funds in *liquidity providing* transactions (with the ECB); at the end of 2023, interest expense amounted to €177 thousand.

Loans to customers

At 31 December 2023 loans to customers amounted to €6,945 thousand, net of adjustments made as part of credit risk monitoring, showing a decrease of 22.4% compared to 31 December 2022 (€8,953 thousand), in continuity with the trend observed in recent years, as a result of the strategic actions undertaken by the Bank.

The trend on an annual basis of the technical forms of the Bank's loans to customers is reported below (**table 1**).

Table 1 Breakdown of Loans to customers

€/000	31/12/2023				31/12/2022				Changes	
	Performing	Non-Performing	Total	Inc. in %	Performing	Non-Performing	Total	Inc. in %		in %
Current accounts	835	98	**933**	13.4	901	144	**1,045**	11.7	(112)	(10.7)
Mortgage loans	4,898	949	**5,847**	84.2	6,423	1,280	**7,703**	86.0	(1,856)	(24.1)
Personal loans and credit cards	92	16	**108**	1.6	144	19	**163**	1.8	(55)	(33.7)
Other loans	12	45	**57**	0.8	20	22	**42**	0.5	15	35.7
Total	**5,837**	**1,108**	**6,945**		**7,488**	**1,465**	**8,953**		**(2,008)**	**(22.4)**

The downward trend in loans to customers was basically driven by the decline in mortgage loans, which fell by 24.1% (€-1,856 thousand) at the reporting date. The other elements, which had a less significant impact on the overall aggregate, also showed a reduction of 10.7% (-112 thousand, with reference to current accounts), and 33.7% (-55 thousand, with reference to personal loans and credit cards).

With regard to the composition of the Bank's loan portfolio, an analysis of data from Management Control shows that on-balance-sheet lending is mainly made up of loans (84% of the total loan portfolio), consisting primarily of mortgage loans (accounting for 85% of the total), 73% of which are variable-rate loans; the remaining part are unsecured loans.

Loans to customers: credit quality

The trend of loans to customers in the course of 2023 is reported below (**table 1**) in terms of gross and net amounts, allocation to the various stages and associated coverage ratio and weight.

Table 1 Credit quality: breakdown

Items	**31/12/2023**					**31/12/2022**					**Change**	**Sector averages (LSI banks*)**
€/000	**Net Exposure**	**Overall adjustments**	**Net Exposure**	**in % Coverage**	**Inc. in %**	**Net Exposure**	**Overall adjustments**	**Net Exposure**	**in % Coverage**	**Inc. in %**	**Net exp.**	**Coverage percentage**
Non-performing loans	939	-599	340	63.8	4.9	1,122	-524	598	46.7	6.7	(258)	38.3
Unlikely to pay	858	-373	485	43.5	7.0	1,417	-606	811	42.8	9.1	(326)	30.5
Past due/overdrawn loans	321	-38	283	11.8	4.1	66	-10	56	15.2	0.6	227	9.7
Impaired loans (Stage 3)	**2,118**	**-1,010**	**1,108**	**47.7**	**16.0**	**2,605**	**-1,140**	**1,465**	**43.8**	**16.4**	**(357)**	**31.8**
Performing loans	**5,965**	**-128**	**5,837**	**2.1**	**84.0**	**7,678**	**-190**	**7,488**	**2.5**	**83.6**	**(1,651)**	**1.6**
Loans in Stage 2	1,475	-56	1,419	3.8	20.4	1,594	-139	1,455	8.7	16.3	(36)	3.3
Loans in Stage 1	4,490	-72	4,418	1.6	63.6	6,084	-51	6,033	0.8	67.4	(1,615)	
Loans to customers	**8,083**	**-1,138**	**6,945**	**14.1**		**10,283**	**-1,330**	**8,953**	**12.9**		**(2,008)**	
of which Forborne Performing	***625***	***-28***	***597***	***4.5***		***1,261***	***-130***	***1,131***	***10.3***		***(534)***	
of which Forborne Non-Performing	***337***	***-45***	***292***	***13.4***		***404***	***-224***	***180***	***55.4***		***112***	

(*) Source: Banca d'Italia - Financial Stability Report no. 2/2023 (reference data at 30/06/2023)

The overall contraction of loans at the end of the year, both gross and net exposures, referred to both impaired and performing loans in the Bank's accounting portfolio at the reporting date.

Performing loans at 31 December 2023 amounted to €5,837 thousand net of value adjustments, recording a 22% decrease (-1,651 thousand) with respect to the comparison figure (7,488 thousand).

The coverage level of performing loans was 2.1% at the reference date, basically confirming the figure recorded in the previous period (2.5%). The coverage level recorded at the end of 2023 exceeds the comparison with the average coverage rate recorded in the system for less significant banks of 1.6% (data as at 30/06/2023, source Banca d'Italia "Financial Stability Report No. 2/2023"). In this aggregate, the coverage level of performing loans allocated to stage 2 stood at 3.8% at the end of the year.

The forborne exposures included in performing loans amounted to €597 thousand, with a coverage of 4.5%.

With regard to the allocation to the "stages" required by IFRS 9, the breakdown of the performing loan portfolio, which accounted for 84% of total outstanding loans, was as follows as at 31 December 2023:

- **Stage 1**: loans included in this risk stage, net of the associated value adjustments, totalled €4,418 thousand. The Stage 1 portfolio accounts for around 76% of the Bank's net performing loans and around 64% of total net credit exposures. At the reporting date, the hedging ratio stood at 1.6%;
- **Stage 2**: loans included in this risk stage, net of the associated value adjustments, totalled €1,419 thousand. The Stage 2 portfolio accounts for around 24% of performing loans and around 20% of total net loans. At the reference date the coverage ratio on stage 2 exposures was 3.8%.

With reference to the composition of the Bank's Stage 2 portfolio, essentially attributable to automatic classification triggers, this could be broken down as follows at 31 December 2023:

i. 48% consisted of watch list positions (i.e. performing under observation) for a gross amount of €705 thousand;
ii. 42% consisted of forborne positions, for a gross amount of €625 thousand;
iii. 9% was represented by exposures that recorded an increase in their Lifetime PD with respect to origination for a gross amount of €130 thousand;
iv. the remaining 1% portion consisted of exposures with no rating at origination (for a gross amount of €7 thousand), and of past due exposures by over 30 days (for a gross amount of €8 thousand).

The allocation of gross credit exposures to customers in the stages envisaged by IFRS 9, and the associated coverage level, is shown below (**Tab. 2**).

Tab.2 Loans to customers: Stage Allocation

Figures at 31/12/2023	*Stage 1*	*Stage 2*						*Stage 3*
		Forborne	Past due 30 days	Missing Orig. rating	Change PD	Watch List	Total	
% exposure	55.5%	42.4%	0.5%	0.5%	8.8%	47.8%	18.2%	26.2%
Gross exposure	*4,490*	*625*	*8*	*7*	*130*	*705*	*1,475*	*2,118*
Expected loss	1.6%	4.4%	9.7%	3.1%	7.4%	2.6%	3.8%	47.7%

Figures at 31/12/2022	*Stage 1*	*Stage 2*					*Stage 3*
		Forborne	Past due 30 days	Missing Orig. rating	Change PD	Total	
% exposure	59.2%	79.1%	2.2%	12.2%	6.5%	15.5%	25.3%
Gross exposure	*6,084*	*1,261*	*35*	*195*	*103*	*1,594*	*2,605*
Expected loss	0.8%	10.3%	0.0%	2.6%	2.8%	8.7%	43.8%

With reference, on the other hand, to problem loans, the data recorded confirm the downward trend in loans for each credit risk band (except past due/overdrawn loans, as explained here below) in both gross and net terms, in line with the trends observed in previous years.

Specifically, at 31 December 2023, net impaired loans amounted to €1,108 thousand, down 24% (€-357 thousand) on the comparison figure (€1,465 thousand).

More specifically, at 31 December 2021 net impaired loans accounted for 16% of total loans (16.4% at the end of 2022), with total net loans decreasing from €8,953 thousand to €6,945 thousand at the end of 2023.

Problem loans were kept under control through the combined effect of debt recovery activities and greater impairment losses recognised on doubtful loans.

Total provisions, which include value adjustments on the Bank's impaired loans, amounted to €1,010 thousand, compared to €1,140 thousand at the end of 2022.

The coverage of *non-performing loans* grew to 47.7% at the reporting date compared to the level recorded in the comparative year, which was 43.6%, and much higher than the system average (for LSI banks) of 31.8%[2].

More specifically, with reference to loans to customers allocated to Stage 3, the following should be noted:

- net non-performing loans as at 31 December 2023 decreased to €340 thousand (€598 thousand at the end of 2022), accounting for 5% of the total loan portfolio. At the reporting date, the pertinent gross and net terms dropped by €183 thousand and €258 thousand respectively. At 31 December 2023, their coverage ratio was 63.8%, considerably up compared to the 2022 figure (46.7%) and much higher compared to the 38.3% of the credit system.
- net unlikely to pay, amounting to €485 thousand as at 31 December 2023, decreased by 40% (-326 thousand) compared to the figure recorded at the end of 2022 (€811 thousand), accounting for 7% of the Bank's overall loan portfolio. Likewise, the gross exposures also significantly decreased by approximately 559 thousand compared to the comparison figure. The coverage ratio was 43.5% at 31 December 2023, compared to 42.8% recorded in 2022 and higher compared to the 30.5% of the credit system.

[2] Financial Stability Report no. 2/2023 (reference data at 30/06/2023).

- net overdue and overdrawn loans, with a residual weight on the overall portfolio of 4.1%, amounted to €283 thousand as at 31 December 2023, up €227 thousand compared to the 31 December 2022 figure (€56 thousand). Coverage stood at 11.8%, higher than the 9.7% recorded by the banks in the LSI system;
- net forborne exposures, generated by concessions granted to debtors who found it difficult to meet their financial commitments and a sub-category of impaired loans equity, amounted to €292 thousand with a 13.4% coverage level.

To complete the above, below is a summary table (**Tab. 3**) of impaired loans sustainability indicators, which compares the results as at 31 December 2023 and those at 2022 year-end, confirming a general improvement for all ratios represented. The sustainability of non-performing loans for the Bank is represented by the Texas ratio: the ratio of non-performing assets to common equity tier 1 capital, which is continually decreasing: 10.5% at 31 December 2023 (12.8% at 31/12/2022).

Table 3 Sustainability of impaired loans

Impaired loans sustainability indicators	31/12/2023	31/12/2022	Changes
Net non-performing loans and unlikely to pay / CET1 Phased-in	**7.8**	**12.3**	(4.5)
Net non-performing loans / CET 1 Phased-in	**3.2**	**5.2**	(2.0)
Net unlikely to pay / CET 1 Phased-in	**4.6**	**7.1**	(2.5)
Texas Ratio (*)	**10.5**	**12.8**	(2.3)

(*) Net NPL/CET1 Phased-in

Financial assets other than loans (Portfolios of securities owned)

Financial assets measured at amortised cost

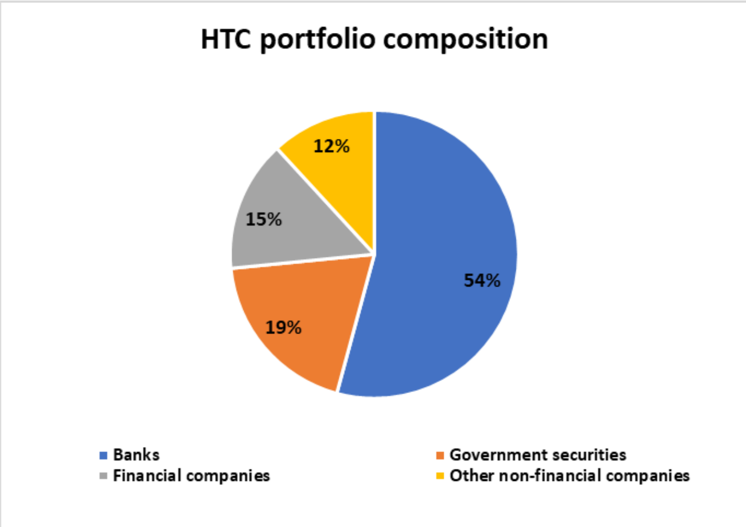
€/000	31/12/2023	31/12/2022	Changes	Changes in %
Debt securities	**17,053**	**21,099**	**(4,046)**	**(19.2)**
of which Stage 1	*17,053*	*21,099*	*(4,046)*	*(19.2)*
of which Stage 2	-	-	-	-
of which Stage 3	-	-	-	-

Debt securities measured at amortised cost amounted to €17.053 thousand, net of value adjustments made as part of credit risk monitoring, recording a decrease of €4 million from the comparison figure, in line with the treasury management implemented by the bank during 2023, in response to a market situation marked by a drop in bond prices due to an increase in rates. In this scenario, the Bank preferred not to reinvest in further debt securities, reallocating excess liquidity to overnight deposits held at Banca d'Italia, benefiting from the remuneration aligned with the repeated rises in the official rates decided by the ECB.

With regard to its composition, the *HTC (Hold to Collect)* portfolio consists of 16 securities issued by Italian issuers for a total nominal amount of €18,869,000.00, 70% of which are fixed rate instruments and the remaining 30% floating rate. With reference to the classifications provided for in IFRS 9, all the securities included in the Bank's HTC portfolio are classified in Stage 1, based on the adopted stage allocation approach. The pertinent provision for bad debts was around €26 thousand at 31 December 2023.

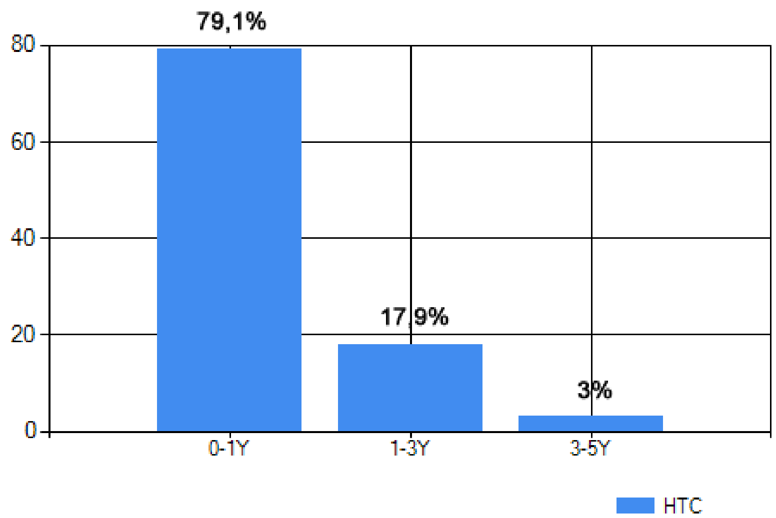
More specifically, in terms of breakdown by debtor/issuer, illustrated below, the portfolio shows a predominance of bank securities, which account for 54% of the overall portfolio.

Portfolio – Asset Class Breakdown



Provided below is the breakdown by maturity of the debt securities allocated to the Bank's HTC portfolio at the date of the financial statements.

Portfolio – Breakdown by maturity



As regards the economic performance of the HTC portfolio recorded during the year, the weighted average IRR on securities in the portfolio increased to 1.78% as at 31 December 2023, compared to 1.47% in 2022.

Financial assets measured at fair value through profit or loss

€/000	31/12/2023	Incid. in %	31/12/2022	Incid. in %	Changes	Changes in %
Financial assets held for trading	**197**		**194**		**3**	**1.5**
a) Public Administrations	-	-	-	-	-	-
b) Banks	**197**	100.0	**194**	100.0	3	1.5
c) Other issuers	-	-	-	-	-	-
Financial assets mandatorily measured at fair value	-		-		-	-
Total financial assets measured at fair value through profit or loss	**197**		**194**		**3**	**1.5**

The Bank's trading portfolio, which amounted to €197 thousand as at 31 December 2023, basically consisted of one bank security for a nominal amount of €200 thousand.

For a more detailed analysis of the profitability of the trading portfolio recorded during 2023, please see the dedicated section below in the income statement.

Financial assets measured at fair value through other comprehensive income

€/000	31/12/2023	31/12/2022	Changes	Changes in %
Equities	**7**	**8**	**(1)**	**(12.5)**
Debt securities	-	**2,352**	**(2,352)**	**(100.0)**
of which Stage 1	-	**2,352**	(2,352)	(100.0)
of which Stage 2	-	-	-	-
of which Stage 3	-	-	-	-
Total financial assets measured at fair value through other comprehensive income	**7**	**2,360**	**(2,353)**	**(99.7)**

At the reporting date, the portfolio of securities measured at fair value impacting the Bank's comprehensive income was exclusively made up of equities, specifically the shares of Banca di Credito Popolare S.c.p.A (formerly Banca Regionale di Sviluppo), whose value amounts to €7 thousand.

For this purpose, on 1 January 2023 Banca Regionale di Sviluppo ("BRS") was incorporated into Banca di Credito Popolare ("BCP") further to a deed of merger dated 23 December 2022. Therefore, the previous shares owned by the Bank in BRS, subscribed in 2016, were converted into BCP's shares according to the exchange ratio established in the deed of merger, i.e. 1 BCP share every 30 BRS shares.

At 31 December 2023 the related equity reserve, which includes the valuation component of the aforementioned securities, amounted to a negative €993 thousand, gross of recognised taxes.

In this aggregate, positions on debt securities were written off, in line with the management approach adopted by the Bank starting from the previous financial statements, following the change of the Business Model pursuant to IFRS 9.

Equity investments

At 31 December 2023, the value of the equity investments recorded, amounting to €45 thousand, recorded a €16 thousand reduction from the comparison figure (€61 thousand).
This reduction is due to the impairment recorded by the Bank with reference to the equity investment in the subsidiary Promos Corporate Srl, following the closing of the liquidation procedure, the subsidiary was subjected to at the end of 2023. Therefore, in these financial statements, the Bank has written off the aforementioned equity investment, recording the loss (€16 thousand) in the dedicated item of the income statement, Income (loss) on equity investment". For further details, reference should be made to the special Section of the Notes of these Financial Statements.
There was no change to the balance sheet value (€45 thousand) of the equity investment in the subsidiary Promos Fintech srl at 31 December 2023.

Tangible and intangible assets

At 31 December 2023, property, plant and equipment, and the intangible assets of the Bank amounting to €5,187 thousand, recorded a 5% reduction (-286 thousand) compared to the comparison figure (5,473 thousand).
In this aggregate, the Bank's property, plant and equipment, amounted to €4,946 thousand, recording a 3% drop basically due to the depreciation charge for the year.
Likewise, the Bank's intangible assets, mostly consisting of the software developed in-*house* during previous FYs, fell to €241 thousand (from €393 thousand at 31 December 2022), as a result of the amortisation charge calculated based on the expected technological obsolescence of said *assets*.

Funding (from customers)

Table 1 Overall funding performance

€/000	31/12/2023	Incid. in %	31/12/2022	Incid. in %	Changes	in %
SICAV and funds	1,734	6.7	1,876	5.4	(142)	(7.6)
Managed:	24,003	92.8	32,506	94.2	(8,503)	(26.2)
- Shares	*19,034*	*73.6*	*28,610*	*83.0*	*(9,576)*	*(33.5)*
- Bonds	*4,969*	*19.2*	*3,896*	*11.3*	*1,073*	*27.5*
Financial third-party products	134	0.5	108	0.3	26	24.1
Indirect funding	**25,871**	**46.8**	**34,490**	**52.1**	**(8,619)**	**(25.0)**
Current account overdrafts	16,088	54.8	19,598	61.8	(3,510)	(17.9)
Time deposits	11,975	40.8	11,529	36.4	446	3.9
of which domestic time deposits	*7,057*	*24.0*	*6,954*	*21.9*	*103*	*1.5*
of which foreign time deposits	*4,918*	*16.7*	*4,575*	*14.4*	*343*	*7.5*
On demand deposits	1,084	3.7	187	0.6	897	-
Savings accounts	189	0.6	372	1.2	(183)	(49.2)
Funding from foreign customers	32	0.1	24	0.1	8	33.3
Direct funding	**29,368**	**53.2**	**31,710**	**47.9**	**(2,342)**	**(7.4)**
Total funding	**55,239**		**66,200**		**(10,961)**	**(16.6)**

At 31 December 2023, total Bank deposits totalled €52.2 million, down around 17% (€11 million) on the comparison figure.

As can be seen by the comparison shown in the table, this fall was mainly attributable to indirect funding, down 25% (-€8.6 mln) from the start of the year and standing at a total of €26 mln at the end of 2023.

A more detailed examination of this aggregate shows a significant drop in investments in equities, down by approx. 9.6 mln, as a result of a capital transaction involving an institutional customer, which led to a reduction in the value of the shares held in custody by the Bank at the end of the year.

There was a two-figure increase (+28%, or +€1 mln) in the debt securities held in custody for the renewed interest of savers in government securities and bonds, in the light of an increase in the yields offered. Funds and SICAV, in contrast, recorded a slight fall (-8%, 142 thousand).

With regard to direct funding, the restrictive monetary policy had a significant impact. In detail, the bank direct deposits stood at €29 million at the end of 2023, down 7% (-2.3 million) on the comparison figure. Direct funding was impacted by the net outflows caused by the use of liquidity reserves on current accounts by customers (both private and business) to meet current needs, and/or property investments, and at the same time, by the diversification of savings towards government securities and bonds. Current accounts overdrafts fell by approx. 3.5 mln at the end of 2023.

Within the aggregate, the drop in current accounts was partially offset by inflows towards savings accounts, due to the higher remuneration offered by term savings accounts.

The prevalence of short-term deposits, in the technical form of current accounts and sight deposits, was confirmed, amounting to €17mln and accounting for 59% of direct deposits from customers. Funding at maturity, in the forms of deposits, amounted to €12 mln, 41% of total direct funding.

Shareholders' Equity

€/000	31/12/2023	31/12/2022	Changes	in %
Share capital	7,740	7,740	-	-
Treasury shares (-)	-	-	-	-
Share premium account	1,071	1,071	-	-
Reserves	4,333	4,400	(67)	(1.5)
Valuation reserves	(1,025)	(1,009)	(16)	1.6
Equity instruments	-	-	-	-
Profit (loss) for the year	(685)	(67)	(618)	-
Shareholders' equity	**11,434**	**12,135**	**(701)**	**(5.8)**

At 31 December 2023 the Bank's shareholders' equity stood at around €11.4 million compared to the €12.1 million recorded at the beginning of the year. The aggregate comprises the result for the year recorded in 2023, negative for €685 thousand. Profit reserves, € 4.3 mln, were affected by the carrying forward of the loss for the year in 2022 (-67 thousand). At the same time, the valuation reserves, negative for €1,025 thousand, rose slightly (+16 thousand), as an effect mainly of the valuation reserves on severance indemnity.

At the reporting date, the share capital was unchanged, consisting of 7,740,000 shares with a nominal value of €1 each.

The changes in shareholders' equity are detailed in the specific statement to which reference is made.

Own Funds and capital ratios

Own Funds, risk-weighted assets and capital ratios as at 31 December 2023 were calculated on the basis of the harmonised framework for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended by Directive 2019/878/EU (CRD V) and Regulation (EU) 2019/876 (CRR II) respectively, which implement in the EU the standards defined by the Basel Committee for Banking Supervision *(Basel 3 Framework) and on the basis of the pertinent Banca d'Italia Circulars.*

With reference to the accounting standard IFRS 9, 31 December 2022 marked the end of the transitional period (2018-2022) introduced by Regulation (EU) no. 2395/2017, of which the Bank made use, adopting both the "static" and the "dynamic" approach.

In this context, it should be pointed out that at the reporting date the transitional IFRS 9 regime regarding value adjustments to loans after 31 December 2019 was still in force. The same was introduced by the European Commission in the pandemic scenario with Regulation no. 2020/873 of

24 June 2020 (so-called CRR Quick Fix) for the transition period from 2020 to 2024. The Bank decided to avail itself of this regime. However, the Bank decided not to make use of the transitional regime, introduced by the same Regulation, providing for the reintroduction of the prudential filter for exposures to central governments classified in the FVOCI category.

The following table shows a comparison of the figures for Own Funds and capital ratios for the years 2023 and 2022.

Table 1 Own Funds and capital ratios

Own Funds and capital ratios (€/000)	31/12/2023		31/12/2022	
	IFRS 9 Transitional arrangements	IFRS 9 Fully Loaded	IFRS 9 Transitional arrangements	IFRS 9 Fully Loaded
Own Funds				
CET1 net of regulatory adjustments	**10,539**	**10,539**	**11,478**	**11,227**
AT1 net of regulatory adjustments	-	-	-	-
TIER 1 CAPITAL (TIER 1)	**10,539**	**10,539**	**11,478**	**11,227**
T2 net of regulatory adjustments	-	-	-	-
TOTAL OWN FUNDS	**10,539**	**10,539**	**11,478**	**11,227**
Risk-weighted assets				
Credit and counterparty risk	24,243	24,243	32,562	32,311
Market risks	493	493	457	457
Operating risks	6,494	6,494	7,080	7,080
RISK-WEIGHTED ASSETS	**31,230**	**31,230**	**40,099**	**39,848**
Capital ratios %				
Common Equity Tier 1 Ratio	33.75%	33.75%	28.62%	28.17%
Tier 1 ratio	33.75%	33.75%	28.62%	28.17%
Total capital ratio	33.75%	33.75%	28.62%	28.17%

At 31 December 2023, the effects of the transitional treatment introduced by Regulation (EU) no. 873/2020 (the so-called “Quick Fix”) amounted to zero.

The capital data and ratios shown in the table for 2023, in the columns “IFRS 9 Transitional arrangements” and “IFRS 9 Fully Loaded” therefore coincide.

With reference to the comparison data (31/12/2022), the effects of the IFRS 9 transitional arrangements on the CET1 of the Bank amounted to a total of €251 thousand.

Therefore, the amounts shown for 31 December 2023 can be compared with the previous period “IFRS 9 Fully Loaded”.

At 31 December 2023, the Bank’s Own Funds thus amounted to €10,539 thousand, with weighted assets of €31,230 thousand.

Therefore, capital ratios at 31 December 2023 were the following: Total Capital Ratio at 33.75%; Tier 1 ratio at 33.75%; Common equity ratio at 33.75%.

The figures shown in (**tab. 1**) show that the bank’s capital is more than adequate to cover the exposure to the risks assumed, as evidenced by the level of the solvency ratios, which show the ratio between primary capital and the bank's exposure to risk; the surplus of Own Funds over the minimum capital requirement of 8% - as at 31 December 2023 - was €8,041 thousand.

Lastly, please note that, as established by Banca d'Italia pursuant to art. 53-bis, paragraph 1, letter d) of Legislative Decree no. 385/93 (TUB) – capital adequacy purposes the Bank is required to comply with specific additional capital requirements as defined at the outcome of the *Supervisory Review and Evaluation Process* (SREP).

The overall additional mandatory capital requirements (illustrated in tab. 2) at 31 December 2023 in terms of CET1 ratio, Tier1 ratio and Total Capital Ratio are 11.73%, 13.65% and 16.20% respectively.

Table 2 Additional capital requirements

		31/12/2022			31/12/2023		
		CET 1 ratio	Tier 1 ratio	Total Capital ratio	CET 1 ratio	Tier 1 ratio	Total Capital ratio
	Bank ratios	**28,62%**	**28,62%**	**28,62%**	**33,75%**	**33,75%**	**33,75%**
MCR	**Bank requisite**	**4,50%**	**6,00%**	**8,00%**	**4,50%**	**6,00%**	**8,00%**
	Deficit/surplus vs MCR	24,12%	22,62%	20,62%	29,25%	27,75%	25,75%
		9.673.612	9.072.133	8.270.160	9.133.930	8.665.484	8.040.888
Total SREP Capital Requirement (TSCR)	**Bank requisite**	**5,75%**	**7,67%**	**10,23%**	**5,73%**	**7,65%**	**10,20%**
	(of which add-on SREP)	(1,25%)	*(1,67%)*	*(2,23%)*	*(1,23%)*	*(1,65%)*	*(2,20%)*
	Deficit/surplus vs TSCR	22,87%	20,95%	18,39%	28,02%	26,10%	23,55%
		9.172.379	8.402.486	7.375.961	8.749.804	8.150.192	7.353.833
Overall Capital Requirement (OCR)	**Bank requisite**	**8,25%**	**10,17%**	**12,73%**	**8,23%**	**10,15%**	**12,70%**
	(of which CCB)	(2,50%)	*(2,50%)*	*(2,50%)*	*(2,50%)*	*(2,50%)*	*(2,50%)*
	Deficit/surplus vs OCR	20,37%	18,45%	15,89%	25,52%	23,60%	21,05%
		8.169.914	7.400.020	6.373.495	7.969.059	7.369.447	6.573.088
Overall Capital Requirement + Capital Guidance	**Bank requisite**	**10,25%**	**12,17%**	**14,73%**	**11,73%**	**13,65%**	**16,20%**
	(of which add-on CG)	(2,00%)	*(2,00%)*	*(2,00%)*	*(3,50%)*	*(3,50%)*	*(3,50%)*
	Deficit/surplus vs OCR + CG	18,37%	16,45%	13,89%	22,02%	20,10%	17,55%
		7.367.941	6.598.047	5.571.523	6.876.017	6.276.405	5.480.045

As regards the leverage ratio, which reflects the quantitative assessment of exposure to the risk of excessive leverage, in 2023 the "transitional" and "fully loaded" leverage ratio was 21.83%, compared to the minimum mandatory requirement of 3%.

In respect of liquidity riskboth regulatory indicators, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), remain well above the minimum regulatory requirements.

The Bank carefully monitored the Liquidity Coverage Ratio (LCR), which aims to ensure that an adequate level of high-quality, readily marketable and unencumbered liquid assets is maintained during the year; this indicator, standing at 2,013% at the end of 2023, was steadily higher than the

100% minimum threshold.

Also at year-end, the NSFR (*Net Stable Funding Ratio*) indicator of the Bank stood at 177.5%, again higher than the mandatory minimum threshold of 100%. The objective of this indicator is to strengthen the Bank's resilience by ensuring the use of stable, long-term sources of funding to finance its outstanding assets.

For complete quantitative information on the Bank's assets, please refer to the disclosure provided in Part F - Information on Shareholders' Equity of the Notes.

Income Statement Items

Table 1 Short Income Statement (€/000)

Items	31/12/2023	31/12/2022	Changes	
				in %
Brokerage margin	3,020	3,884	(864)	(22.2)
Net result of financial operations	3,141	3,863	(722)	(18.7)
Operating costs	(3,805)	(4,006)	201	(5.0)
Profit before taxes	(680)	(142)	(538)	-
Profit (loss) for the year	**(685)**	**(67)**	**(618)**	-

The annual performance of the Bank's main P&L figures is illustrated below.

Brokerage margin

(€/000)	31/12/2023	31/12/2022	Changes	Changes in %
Net interest income	396	421	(25)	(5.9)
Net commissions	(149)	7	(156)	-
Net income on trading activity	2,774	3,461	(687)	(19.8)
Profit (loss) from transfer or repurchase of financial assets	(1)	1	(2)	-
Net income/loss on the other financial assets/liabilities measured at fair value through profit or loss	-	(6)	6	(100.0)
Brokerage margin	**3,020**	**3,884**	**(864)**	**(22.2)**

The brokerage margin closed FY2023 with a result of €3,020 thousand, down 22% compared to the comparison figure (€3,884 thousand).

The analysis of the individual P&L elements contributing to the brokerage margin confirms the importance of financial brokerage activities for the Bank, which are overseen by its *trading* and treasury department income from trading recorded a positive result of €2,774 thousand at 31 December, compared to €3,461 for the previous year. As illustrated below in greater detail, the performance achieved is related to the significant narrowing of the bid-ask spread of the individual brokerage transactions, inevitably conditioned by a static market situation paralysed by the repeated announcements of further rises in the reference official rates decided on by the ECB.

On the other hand, with regard to revenue from the traditional banking business, net interest income amounted to €396 thousand at 31 December 2023 (it was €421 thousand at the end of 2022).

Commission components contributed to the net brokerage margin. The net value 31 December 2023 was negative for €149 thousand.

➢ *Net interest income*

At 31 December 2023, the brokerage margin recorded a positive result of €396 thousand, slightly down (-6%) on the comparison figure (-€25 thousand).

Looking at the individual items in more detail, the year-on-year comparison of net interest income is shown below.

Table 1 Breakdown of net interest income (000)

Breakdown of Item 10 Income Statement Interest income	31/12/2023	31/12/2022	Changes	Changes in %
Interest income - Customers	460	366	94	25.7
Interest income - Banks	199	26	173	-
Interest income - Securities	464	270	194	71.9
Total loans	**1,123**	**662**	**461**	**69.6**

Breakdown of Item 20 Income Statement Interest expense	31/12/2023	31/12/2022	Changes	Changes in %
Interest expense - Clients	(513)	(99)	(414)	-
Interest expense - Banks	(214)	(135)	(79)	58.5
Interest expense - Securities	-	(7)	7	(100.0)
Total funding	**(727)**	**(241)**	**(486)**	**-**

Net interest from customers	**(53)**	**267**	**(320)**	**-**
Net interest from banks	**(15)**	**(109)**	**94**	**(86.2)**
Net interest on securities	**464**	**263**	**201**	**76.4**
Total Item 30 Income Statement Net interest income	**396**	**421**	**(25)**	**(5.9)**

The above figures show significantly rising yields generated from proprietary security portfolios, up by 76% (+€201 thousand) compared to the figure at the end of 2022, ending the year with interest income of €464 thousand.

The greatest contribution to the result obtained was made by the *performance* of the Bank's HTC portfolio, accounting for 88% of the total. In this aggregate, 53% of the income realised was accounted for by the IRR of the fixed-rate debt securities allocated to the HTC portfolio at 31 December 2023; the remaining 47% was derived from variable-rate securities.

Vice versa, net income items deriving from clients were radically down by €320 thousand compared to the previous figure. Despite an increase in the income elements included in this aggregate (+26%, +94 thousand), the reduction recorded was due mainly to the increase in the cost of funding from customers, which brought interest expense to an amount of €513 thousand (compared to 99 thousand at the end of 2022), impacted by the effects of the system.

Annual net interest from Banks recorded an improvement over the year: at 31 December 2023, net interest from Banks was negative for €15 thousand, compared with - €109 thousand at the end of 2022. This drop was influenced by the positive contribution made by investments in overnight deposits held with Banca d'Italia, equal to €107 thousand at the reference date, which offset the cost of funds incurred by the Bank for *liquidity providing* transactions (with the ECB); at the end of 2023, interest expense stood at €177 thousand.

In terms of average volumes and rates, management data at 31 December 2023, compared to the same period in 2022, show a decline in average volumes (€2,177 thousand) on the loans side, together with an increase in the average lending rate (from 4.319 at 31 December 2022 to 6.222 in December 2023).

Likewise, compared to the same period of 2022, direct funding from customers showed a decrease in average volumes of €2,342 thousand and an increase in the average rate applied (from 0.801 at 31 December 2022 to 2.044 in December 2023).

As a result, the overall spread between outstanding loans and direct funding widened from 3.518 at the end of 2022 to 4.178 at 31 December 2023.

- ***Net commissions***

On the commissions front, the year's performance was mainly affected by commission expenses (up €108 thousand - +35%), as can be seen from the figures below.

Breakdown of Item 40 Income Statement Commission income	31/12/2023	31/12/2022	Changes	Changes in %
Placement of securities	14	20	(6)	(30.0)
Receipt and transmission of orders	4	3	1	33.3
Custody and management of securities	4	15	(11)	(73.3)
Payment services	229	272	(43)	(15.8)
- of which C/A management and holding	*122*	*147*	*(25)*	*(17.0)*
Other commissions receivable	16	5	11	-
Total	**267**	**315**	**(48)**	**(15.2)**

Breakdown of Item 50 Income Statement Commissions expense	31/12/2023	31/12/2022	Changes	Changes in %
Trading of financial instruments and currencies	(275)	(187)	(88)	47.1
Custody and management of securities	(50)	(37)	(13)	35.1
Collection and payment services	(66)	(57)	(9)	15.8
Other commissions payable	(25)	(27)	2	(7.4)
Total	**(416)**	**(308)**	**108**	**35.1**

Total Item 60 Income Statement Net commissions	**(149)**	**7**	**(156)**	**-**

In particular, the trend in commission expense items was particularly affected by the increase in trailer fees paid back by the Bank for the trading of financial instruments, up €88 thousand (+47%).

Commission income, which amounted to €267 thousand as at 31 December 2023, showed a slight decrease (-15%, -€48 thousand) compared to the comparison figure (€315 thousand).

The dynamics illustrated above resulted in net commissions being negative for €149 thousand at 31 December 2023.

- ***Net income on trading activity***

With the evolution of the international economic situation, the trading activity carried out by the bank has had to adapt to new market dynamics in response to continual changes in financial markets due to geopolitical, economic and technological factors.

In this context, it is important to remember that 2022 was marked by growing geopolitical tension, and above all by the war in Ukraine, which fuelled inflation in the price of energy and other raw materials. Persistent inflation worldwide drove many central banks to take more aggressive action, by increasing interest rates. This context resulted in a significant repricing of both shares and bonds, so 2022 was marked by exceptional volatility, in particular with regard to bonds.

2023, in contrast, did not benefit from this dynamic situation, and the major restabilisation in the bond segment the Bank operates in has required more time than expected. Bonds remained under pressure globally for most of 2023, as a result of the continuing effects of the pandemic and the devastating rate rises.

In this scenario, the Bank's trading activity obtained a result of €2,774 thousand, compared with €3,461 thousand in 2022.

Profits were influenced in particular by the significant narrowing of the bid-ask spread, negatively impacted by static markets, in contrast with the comparison year.

This narrowing of the bid-ask spread was also confirmed by the trend observed in volumes traded by the Bank, which at 31 December 2023 amounted to €17 billion, up around €6 billion (+52%) compared to 2022.

Also, business development activities under the responsibility of the trading desks proved resilient in 2023.

The management figures illustrated above show that 2023 was characterised by 239 counterparties that had dealings with the Bank in 46 countries globally, with an operating volume of around 17 billion.

Net result of financial operations

The net result on financial operations stood at €3,141 at 31 December 2023, down 19% (-722 thousand) on the comparison figure.

Within this aggregate, net value adjustments for credit risk had an overall positive result of €121 thousand (item 130 of the Income Statement), arising from the performance of the two valuation components of: i) assets at amortised cost, for which total net write-backs of €119 thousand were recorded as at 31 December 2023, and ii) FVOCI financial assets, which totalled a positive result of €2 thousand.

For further details, please see the relevant tables in the notes to the financial statements, which illustrate the results for the various segments: customer loans, bank loans and debt securities.

Operating costs

Operating costs (€/000)	31/12/2023	31/12/2022	Changes	Changes in %
Administrative expenses, of which:	(3,765)	(3,819)	54	(1.4)
- *personnel expenses*	*(2,267)*	*(2,210)*	*(57)*	*2.6*
- *other administrative expenses*	*(1,498)*	*(1,609)*	*111*	*(6.9)*
Net allocations to provisions for liabilities and charges	3	(19)	22	-
Net value adjustments/write-backs on tangible and intangible assets	(359)	(398)	39	(9.8)
Other operating expenses/income	316	231	85	36.8
Total operating costs	**(3,805)**	**(4,006)**	**201**	**(5.0)**

At 31 December 2023, operating costs amounted to €3,805 thousand, down 5% (-201 thousand) on the comparison figure (€4,006 thousand).

The change in operating costs is largely attributable to the downward trend in "other administrative expenses", which fell by 7% (€111 thousand), thanks to the careful cost management implemented by the *management* of the Bank, despite the inflation levels registered during the year.

Staff expenses, broken down here below, equal to €2,267 thousand at 31 December 2023, recorded a slight increase (+3%, 57 thousand) on the comparison figure (2,210 thousand).

➢ Staff expenses

Staff expenses (€/000)	31/12/2023	31/12/2022	Changes	Changes in %
Employees:	**(1,918)**	**(1,900)**	**(18)**	**0.9**
1) Wages and salaries	(1,368)	(1,383)	15	(1.1)
- of which variable portion	*(160)*	*(260)*	*100*	*(38.5)*
2) Social security contributions	(392)	(333)	(59)	*17.7*
- of which variable portion	*(45)*	*(58)*	*13*	*(22.4)*
3) Allocation to employee severance indemnity	*(129)*	*(111)*	*(18)*	*16.2*
4) Other benefits in favour of employees	*(29)*	*(73)*	*44*	*(60.3)*
Directors and Auditors	***(387)***	***(356)***	***(31)***	***8.7***
Recovery of expenses for employees in secondment at other businesses	**38**	**46**	**(8)**	**(17.4)**
Total staff expenses	**(2,267)**	**(2,210)**	**(57)**	**2.6**

As can be seen from the figures in the table, employee expenses totalled €1,918 thousand, up slightly (+1%, + €18 thousand) from the comparison figure, which also included the positive effects deriving from the capitalisation of expenses for staff involved in the production of the software developed in-house (amounting to €54 thousand).

The change in employee expenses was partially conditioned by the lower costs sustained for the variable portions paid to staff employed in trading activities, which fell by 39% (- €100 thousand) in terms of salaries and 22% (-€13 thousand) in terms of contributions.

Social security contributions, in contrast, rose by €392 thousand, conditioned by the exclusion, for FY 2023, of companies in the financial sector from the scope of application of the reduction in contributions (the so-called Decontribuzione SUD scheme) the Bank had benefited from during the comparison period.

In this aggregate, account must also be taken of the impact of the renewal of the National Collective Labour Agreement for the banking sector, defined in November 2023, which determined an initial increase in staff expenses (totalling €52 thousand at 31 December 2023), given the intention to pay the arrears for the grace period between the two agreements with the last remuneration of the year.

Moving on to analyse the other elements relating to operating costs sustained by the Bank, at 31 December 2023, amortisation of tangible and intangible assess amounted to €359 thousand, down

10% (€39 thousand) on the comparison figure of €398 thousand.

Other operating expenses/income, amounting to €316 thousand, included the €41 thousand income component deriving from the R&D activity carried out by the Bank in 2023, and the €193 thousand contribution posted to the financial statements for the admission of the training projects presented by Anpal, as manager of the Nuove Competenze Fund (a public Fund co-funded by the European Social Fund designed to combat the economic effects of the Covid-19 pandemic), which the Bank joined in both the first and the second edition.

In light of the above changes, the *cost/income ratio* for 2023 rose to 126% from 103.1% in 2022. The main influence on the increase of this indicator is mostly the downward trend of the positive income components.

Profit/loss for the year

Due to the accounting records mentioned above, the pre-tax loss from current operations was negative for €680 thousand.

Taxes for the year were negative for €5 thousand in 2023; therefore, once the tax charge is added, the loss for the year recorded at 31 December came to €685 thousand.

Cash Flow Statement

The Cash Flow statement showed a balance between cash inflows and outflows, reflecting ordinary operations without any special events, which in the year absorbed liquidity totalling €708,698.

Organisational activities and regulatory compliance

The Bank pays continual, constant attention to the development of processes and reviewing its internal regulations, in order to continually strengthen risk monitoring.

Also, in consideration of the qualitative and quantitative characteristics of the structure, this activity cuts across all functions of the Bank, each of which contribute in their own area to shaping the overall organisational model.

An analysis of the technical and organisational impacts of the regulatory and supervisory updates always leads on to identifying the areas requiring intervention and the individual projects to be finalised.

Below is a summary examination of the interventions completed in the period under consideration.

Within the framework of the review of the Bank's regulations, the various functions scheduled and implemented updates to a number of internal regulatory documents that form part of the Management and Control model, and specifically:

- the "Internal Procedures Manual", which was reviewed with the involvement of the various functions/offices concerned, which, where necessary, provided support for the sections regarding them. The primary objectives of the review were the integration of the new operating procedures issued, taking account of any regulatory developments and/or new practices in use, and the redrafting of the document in line with a number of specific regulations in the sector (e.g. complaints, IT systems, etc.);
- the user manuals for the "Promos" and "Prisma" software platforms, developed in-house by the Bank's IT department and which support the activities of the Finance Area;
- the document "Description of the IT System", which illustrates the overall architecture of the technological infrastructures in use;
- the "Anti-Money Laundering Operating Manual", reviewed in order to introduce a number of both procedural and regulatory updates. The internal organisation was also reformulated to provide more detail, with the addition of practical examples to make it easier for operators to identify individual cases. The Manual sets forth as operating rules the strategies adopted by the Bank and contained in the "Policies for governing the risks of money laundering and the financing of terrorism". With this in mind, the review focused on the new IT procedures in place, the in-depth examination of a number of issues of special relevance, as well as the expansion of some operational aspects, with the redefinition of a number of controls. On the same theme, there was also an update to the aforementioned "Policies for governing the risks of money laundering and the financing of terrorism" document, with the inclusion of the Wolfsberg questionnaire, a useful tool for the standardised exchange of significant information regarding AML with market counterparties;
- the "Finance Regulation", with interventions and additions regarding specific aspects regarding the management of technical credit lines granted to market counterparties within the framework of trading activities;
- the "Whistleblowing Policy", reviewed in the light of the entry into force of Legislative Decree no. 24 of 10 March 2023, which, in implementation of EU Directive no. 2019/1937, introduced a number of important new developments for the regulation of whistleblowing in Italy, widening the subjective and objective scope of application of the regulations and introducing the possibility to also report incidents to ANAC, the National Anti-Corruption Authority. The main new elements include those regarding the extension of the list of subjects who can report incidents; the timeframe within which such reports may be filed, the object of the report and the reporting channels were also reviewed;
- adjustments were made to the "Organisation, Management and Control Model 231, in the

sections regarding Crimes against Cultural Heritage (art. 25-septiesdecies of Legislative Decree no. 231/01) and the regulations governing the Recycling of Cultural Assets and Devastation and Looting of Cultural and Landscape Assets;

- the"Regulation of the Board of Directors " was reviewed as part of the actions necessary to comply with the good practices indicated by the Supervisory Body in the Guidelines for their composition and functioning of the boards of directors of LSI, in which virtuous practices (and criticality profiles) were identified regarding the corporate governance of LSI;
- the "Policy on the outsourcing of corporate activities and functions" was reviewed in full, in order to ensure compliance of the content with the relevant provisions in force issued by the Authority for the sector. Specific reference is made to the "Guidelines on Outsourcing" published by the EBA on 25 February 2019, which specify the internal governance provisions, including rigorous risk management, that credit institutions must implement when outsourcing their functions, especially in the case of essential or important functions. This review also comprised the provisions of the 40th update of Banca d'Italia Circular no. 285/2013 and the Measure of 31 May 2023 containing provisions for the new reporting regarding outsourcing;
- the "Corporate Governance Project", "Organisation Chart" and "Function Chart" have all been reviewed in order to include the tasks, powers and responsibilities of the Corporate Bodies and of the new figures deriving from the 40th update of Banca d'Italia Circular no. 285, more details of which are provided in the following paragraph or contemplated in the "Plan of action on climate and environmental risks".

Among the interventions that required most work in 2023 were the activities regarding changes made in compliance with Banca d'Italia Circular no. 285 (40th update), which in Italy implements the EBA Guidelines on the management of risks relating to information and communication (ICT) and security technologies.

Firstly, the Bank appointed both an "ICT Function" and a "Head of ICT and security risk management and supervision", opting to outsource the latter.

Subsequently, in order to guarantee compliance with the regulations, the Board of Directors prepared and approved a large corpus of documents, consisting of the following:

- "*Information Security Policy* ", which defines the roles and responsibilities connected with ICT security management, in the area of logical and physical security. This policy identifies the procedures designed to guarantee the security of ICT operations and the detection of anomalies, as well as the analyses conducted to identify vulnerabilities in the Bank's systems;
- "*Data governance standards*", a document that sets out the rules and standards designed to guarantee the security and quality of the data managed by the Bank's systems, to be

considered as an asset supporting its business objectives;

- "*Incident management process*", which illustrates the procedures that can be used to identify, trace, register, classify and resolve incidents, depending on the criticality detected. This includes the external and internal communication plans, depending on how significant the incident is, and in line with the applicable regulations;
- "*Guidelines for the management of ICT and security risk* ", a document that identifies the reference model for ICT, sourcing strategies and training and awareness-raising activities for staff regarding information security. The text also illustrates the process for analysing and assessing ICT and security risks in compliance with the Bank's Risk Appetite Framework (RAF);
- "*Procedure for the management of IT changes*", which describes the process to be followed to understand and minimise risks during phases where changes are being made to systems.

Also on-going was the compliance process relating to Climate and Environmental Risks, which began in 2022 following requests from the Supervisory Body, which, after publishing the results of a survey conducted on the degree of alignment of a sample of less significant banks on the question, requested , as you will recall, that specific action plans be drawn up with a view to the introduction of ESG themes within the ordinary framework of the governance and management of risk for the three-year period 2023-2025.

Therefore, in March 2023, the Bank drafted the plan requested, with the support of an external advisor. This plan, subsequently transmitted to the Supervisory Body, is based on gradual project stages able to unfold on a modular development model suitable for meeting the expectations of the Supervisory Body. More in detail, the plan was structured by identifying five macro-areas regarding different themes: Governance and Organisation, Strategy & Business, Risk Management, Reporting & Disclosure, Data Management. These macro-areas were in turn divided into specific work streams functional to the different allocation of ownerships and the involvement of different structures of the Bank, impacted across the board. Each stream, in turn, consists of one or more actions matched with the pertinent expectations of the Supervisory Body.

The actions contemplated in the Plan, comprised within the scope of the macro-area "Governance and Organisation" included the setting up of a dedicated ESG Committee, which was created in June 2023. This Committee, indicated in the Bank's Organisation Chart as reporting to the CEO, makes proposals to and consults with Top Management concerning considerations and decisions on ESG issues. It is also tasked with monitoring the observance of timescales for the implementation of the "Action plan on climate and environmental risks", coordinating the activities necessary for achieving the strategic sustainability objectives included in the Plan, guaranteeing effective implementation and gradual compliance of the structure with ESG themes.

Research and Development and Digital Innovation

The Research and Development activities carried out by Banca Promos during 2023 are admissible according to the Decree of 26 May 2020 by the Ministry of Economic Development, containing the provisions necessary to implement the tax credit rules in respect of investments in research and development referred to in Article 1, para. 200 of Law No. 160 of 27 December 2019.

In this context, the development of the IT platforms is entrusted to the Bank's Research and Development Laboratory, which also oversees their improvement and optimisation; the Laboratory may follow the guidance of the Top Management as regards defining the project scenario and objectives, and may rely on the contribution of internal staff and of experts in Research and Development and implementation methodologies.

The Research and Development Laboratory carries out the following activities, with reference to the projects implemented during the year within the framework of the internal Research, Development and Innovation strategy:

- Analysis, Formulation and Configuration of possible Research and Innovation Projects;
- operational formulation of R&S&I projects;
- research and development of R&D projects on the indications of Top Management;
- development, technical and operational coordination and Experimentation;
- design, construction, roll-out of technological innovations, testing/evaluation of prototypes and pilot installations of new/updated products/processes;
- technical documentation regarding Research and Innovation Projects.

The professional figures involved in the projects are as follows:

➢ **Internal**:

- the project manager that has guaranteed interfunctional integration;
- key experts who contributed significantly to the conception, testing, validation and creation of new innovative knowledge of products / processes and methods, also co-operating with external consultants involved in experimental development;
- the other team members, assigned to and involved in the project, who are engaged in the functional support areas.

➢ **External:**

The bank made use of external companies, which monitored development and operational coordination to verify consistency among values, mission and direction of the decision-making processes and design contents during the implementation of the projects. These external figures also include both independent professionals acting as consultants and professionals providing technical and scientific services.

In 2023, the Bank continued along the same lines as in previous years, with the implementation of Applied **Research and Experimental Development** projects.

With specific reference to the individual activities under way, the "Promos BT Manager" project, initiated in 2023, focuses on the value chain, in both the physical sense of equipment and banknotes, and in the virtual sense of information and economic value. The aim of the project is to boost the efficiency of these flows throughout the cash management system, reducing the amount of cash holding and optimising the actions of the subjects involved all along the "*Smart safe – Caveau BankItalia*" chain.

Efforts are focused on the introduction of smart solutions able to exploit the most advanced data analysis technologies in order to boost the efficiency of the system.

The benefits expected from this project are therefore as follows:

- An improvement in the ability to predict the emptying of smart safes;
- An improvement in efficiency, linked to greater cooperation among the subjects involved;
- A reduction of the costs linked to the holding of cash and resources.

Information Systems

The IT functions play an important role in the organisation of the Bank, because they are responsible for ensuring adequate efficiency and coverage of technology, IT, security and business operations. Their key role has always been a cornerstone of the Bank's organisation, and this role has taken on growing importance as a result of the strongly technological nature of the banking system.

Without considering the routine activities regarding system management and the improvement of the existing software platforms, below is a summary of the projects implemented during the year in the IT and Cybersecurity sphere that have had a significant impact on systems.

With a view to raising awareness regarding IT security issues, the projects initiated mainly regarded new implementations aimed at Cybersecurity management and optimisation.

Within the framework of the projects related to systems and Cybersecurity, the most significant activities are indicated below.

- ➢ Activation of Remote Desktop Services with RemoteAPP role

The activation of this service gives users remote desktop access to the applications developed by the Bank, without the need for them to be physically installed on the individual devices. The applications (RemoteApp) are installed in a secure environment (RDS Host), with levels of protection able to prevent activities deemed risky, such as access to internet, the execution of unauthorised software and changes to the system configurations. Before being made available to users, the applications installed on the RDS Host are subjected to sandboxing in the cloud. In addition, the activation of the RDS Host has made it possible to increase the level of protection of the central Database, now accessible via the RDS HOST and no longer through the users' workstations, considered less secure.

In addition to the standard security solutions, log capture and analysis services have been activated on the RDS Host, as well as the AppLocker service, which can be used to control the applications and the files that can be executed by users.

- Activation of Internal Web Server and External Web Server environments

The segmentation of the network carried out in previous years has created areas in the network with different levels of isolation from other local networks and from internet.

In order to maximise the efficiency of this segmentation, a process has been initiated for the separation of the web applications (WebAPPs) that can be used only by the Intranet (local and VPN with remote offices), considered more secure, from the WebAPPS that can be used by Internet, considered less secure. For this purpose, two different Web Servers have been created, connected to two different network segments, thus obtaining a separation able to significantly reduce the attack surface following any intrusions perpetrated through the WebApps that can be used via Internet.

- Activation of a new EDR solution

For reasons of compatibility and integration with the anti-virus systems in use, the TDR Watchguard system installed on all the endpoints has been replaced with the cloud-based EDR solution proposed by ESET, which, by collecting data from the endpoints, makes it possible to identify behaviour patterns considered damaging, or at least suspicious, in applications not blocked by the antivirus.

- Activation of remote storage for backups

A new network segment has been created for the transfer of backup copies from local storage to a remote site, using a dedicated MPLS connection.

- Activation of a RADIUS server with Multi Factor Authentication (MFA) for VPN access

The activation of this service grants VPN access only to users able to prove their identity using a further factor in addition to a password.

This additional factor is a PIN, valid for 30 seconds, which can only be generated using the user's smartphone.

Before being granted VPN access, users for which MFA has been granted will be required to enter a PIN on the authentication portal developed by the Bank. In addition, time-limited VPN access functions have been developed for use in particular days and time slots.

- Activation of a release management service

The release management platform developed makes it possible to keep track of all the information necessary to reconstruct a release and install it on the RDS Host. This makes it possible to establish the date and time of release to production of a specific release, to obtain access to the release notes and to identify the programmers that have worked on it. It also means the release can be made only after it has been authorised by an administrator, as well as enabling rollback and making it possible to trace the source code of each individual release.

- Definition of the Incident Report

The Incident Report procedure has been defined in order to optimise operations, and, where possible, to prevent events liable to interrupt services or result in a loss of data. This procedure consists of the collection and storage of all the data necessary for the reconstruction of the event, the causes that triggered it and the remedies applied.

In the area of software development, activities focused mainly on projects to support trading activities, in the commercial and operating phases. They regarded the commercial aspect, for example "Gest.co" a centralised counterparty management software with functions used to classify, review, maintain, assign and manage credit lines, and "Counterparty Contact Report", which provides a detailed report indicating the counterparties contacted by each operator. The "BookLD Finalize tickets" system, designed to optimise ticket entry error management, enables any corrections to be made before finalising the ticket.

Workforce Statistical Information

As at 31 December 2023, the bank's total workforce consisted of 30 persons (FTEs=1 nos. 29).
An analysis of the other statistical data, summarised in the tables below, shows that women account for 63% of the Bank's employees. The overall average age is 48 years.
In terms of breakdown by operational areas, 40% of the employees are employed in the Commercial Area (branches and finance area), while 13% are computer technicians of the in-house IT Office. The rest of the staff works at the Head Office (organisation, control, accounting and reporting, back office, securities, etc.).

Turnover	Workforce at 01/01/2023	Hiring/ Transformation	Resignation/ retirement/ termination/ transformation	Workforce at 31/12/2023
Permanent contracts of which:	**31**	-	2	**29**
Managers	**-**	-	-	**-**
Middle management	**5**	-	-	**5**
White-collar personnel	**25**	-	2	**23**
Blue-collar personnel	**1**	-	-	**1**
Temporary contracts of which:	**-**	2	1	**1**
White-collar personnel	**-**	1	-	**1**
Blue-collar personnel	**-**	1	1	**-**
TOTALS	**31**	**2**	**3**	**30**

Breakdown	Managers	Middle management	White-collar personnel	Blue-collar personnel	Total
Men	**-**	**2**	**8**	**1**	**11**
Women	**-**	**3**	**16**	**-**	**19**
Average age	-	55	47	58	48
Average length of service	-	19	17	23	18
Permanent contracts	-	5	23	1	29
Temporary contracts	-	-	1	-	1
Apprenticeship contracts	-	-	-	-	-
Qualification – University	-	4	17	-	21
Qualification – High School	-	1	6	-	7
Qualification – Middle School	-	-	1	1	2

As far as remuneration policies and practices are concerned, the Bank has prepared and updated the pertinent document, and a special disclosure has been prepared on the implementation of those policies, to be submitted to the Shareholders' Meeting.

Related parties

The Bank identifies the parties who are classified as related parties pursuant to IAS 24. Transactions with these parties were regularly performed during the year and all the transactions were carried out on an arm's length basis.

In compliance with applicable regulations, Part H of the Notes provides the relevant details, as well as the information required by regulations on relations with the Bank's directors, statutory auditors and subsidiaries.

Other information

This section provides Shareholders with additional information concerning the Bank. In particular, at the end of FY 2023:

- the bank did not, either directly or indirectly, hold treasury shares in the portfolio and no treasury shares were sold or purchased during the year;
- the Bank was not and is not a member of any banking group;
- the Supervisory Board established pursuant to Legislative Decree 231 carried out its activity in accordance with the annual plan prepared by the body itself;
- research and development activities were carried out, as already discussed in this report;
- no significant events occurred after the balance sheet date besides those highlighted in this report and in the Notes.

In addition, some information with potential significance for the Bank is summarised here.

Going Concern Basis

In preparing the financial statements as at 31 December 2023, the Directors considered the going concern assumption appropriate as, in their opinion, there were no uncertainties regarding events or circumstances which, considered individually or as a whole, could give rise to doubts as to the bank's ability to continue operating as a going concern.

Main risks

Part E of the notes contains qualitative and quantitative information on key risks, including of a financial nature, to which the Bank is normally exposed, i.e. credit risk, market risk and liquidity risk. This report also provides additional information on risks. Further information on the main risks and uncertainties to which the Bank is exposed in relation to the current macroeconomic environment are provided in Parts A, B, C and E of the Notes to the Financial Statements.
As already noted when preparing the Annual Report for the year ended 31 December 2022, the Bank has no direct or indirect exposures to Russia.

Impairment tests

The Directors assessed all the Assets reported in the financial statements in order to identify any impairment.

Uncertainties associated with the use of estimates

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.
Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.
The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore, the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- verification of compliance with requirements for the classification of financial assets in accounting portfolios that provide for the use of the amortised cost criterion (SPPI Test), with specific reference to performance of the benchmark test;
- the quantification of impairment losses on loans and, more generally, of the other financial assets;
- the determination of fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- impairment test of goodwill and other intangible assets;

- the quantification of provisions for liabilities and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.
With specific reference to intangible assets, pursuant to IAS 38, the Bank has recognised intangible assets based on internally generated technology, intended to support the various business lines of the Bank and therefore capable of generating future economic benefits.
In compliance with the applicable accounting standard (IAS 38), research costs were recognised as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognised, and therefore capitalised, in the balance sheet. No costs were capitalised during FY2023; therefore, the intangible assets recorded in the balance sheet refer to capitalisations made in previous years.
For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

Fair value hierarchy

"Policies and processes for the evaluation of corporate assets", prepared in accordance with IFRS 13, regulate the "fair value hierarchy" for the purpose of identifying the different fair value levels. These fair value measurement and classification methods are described in the Notes - Part A Accounting Policies of this Annual Report.

Internal Audit System

Our overall business processes are subject to checks, as prescribed by the Supervisory Provisions that make up our system of internal controls, which is of strategic importance for the Bank. The Bank pursues a constant strengthening of the control culture in all areas of the corporate organisation, and not just within the control functions.
The internal audit system, in line with the Supervisory provisions in force, is structured according to principles that ensure sound and prudent management; it consists of rules, procedures and organisational structures that on the one hand aim to ensure compliance with corporate strategies and, on the other, enable us to achieve the following goals:

- containing risk within the limits set in the Risk Appetite Framework – RAF;
- effectiveness and efficiency of business processes (administration, production, distribution, etc.);

- safeguarding of asset value and protection against losses;
- reliability and integrity of business information and IT procedures;
- compliance of operations with the law and supervisory regulations, as well as with company policies and internal regulations and procedures.

In addition, the internal audit system aims to prevent the risk that the Bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism.

Processes are subject to multiple controls, according to coordinated audit plans and based on a three- level approach, namely:

- First-level controls, i.e. line controls performed by the individual operating units;
- second-level controls, which include:
  - anti-money laundering controls, carried out by a specific organisational unit that verifies the regulatory and operational compliance of the anti-money laundering process i.e. the system for managing money-laundering risk;
  - compliance checks, performed by the Compliance department and aimed at verifying compliance of the Bank's processes by comparing internal regulations with corresponding external provisions and by comparing the activities actually carried out with respect to those envisaged by the aforementioned internal provisions;
  - controls on the risks to which the Bank is exposed, carried out by Risk Management to ensure such risks are detected, measured and assessed according to supervisory provisions, also verifying compliance with the limits set for each individual risk (Risk appetite framework);
- third-level controls, which include the internal audit activity pertaining to the Internal Audit unit, a separate control unit that verifies the adequacy and effectiveness of first and second level controls and, therefore, of the internal control system as a whole.

Audit activities performed

As determined above, during 2023, the second and third level corporate control functions carried out the control activities provided for, a summary of which is provided below.

The Risk Management function carried out quarterly checks on the Bank's exposure to the following risks in terms of capital requirements:

- Pillar I risks (*credit risk, market risk* and *operational risk*);
- Pillar II "measurable" risks (*concentration risk* and *interest rate risk*).

On a monthly basis, vice versa, quantitative analyses were also carried out on liquidity risk, although no capital requirement is yet associated with this risk.
The aforementioned audit activities were performed both in normal conditions and in stress situations.
In this area, the controls implemented during the previous year continued. These consisted of:

- controls on operational risk, with specific regard to the Bank’s outstanding non-credit disputes;
- checks on the performance and risk level of the proprietary securities portfolio.

2023 saw the implementation of the half-yearly check on settlement risk, aimed at assessing the impact of the process for the regulation of operations on related risks (e.g. liquidity, operational risk, etc.)

In addition, the Risk Management function oversees the preparation of the ICAAP/ILAAP Structured Report ensuring that the methods implemented for measuring, evaluating and managing the Bank's exposure to risks are in accordance with the legislation in force. Details regarding the preparation of the mentioned report as at 31 December 2023 are shown in the relevant paragraph "ICAAP/ILLAAP".

The activity carried out by the Compliance function concerned the following areas:

- Adequacy and effectiveness of business processes and procedures
- Specific compliance checks
- Consulting, assistance and training
- Conflicts of interest
- Complaints

In line with the activities planned for 2023, the Anti-Money Laundering function ensured ongoing controls during the year to prevent and counter money laundering and terrorist financing transactions.
In particular, the activities carried out were divided into competence areas, namely:

- Adequacy and effectiveness of internal systems and procedures
- Consulting, assistance and training
- Checks on the reliability of the information system

On the one hand, the audit was aimed at ascertaining consistency of the Bank’s procedures with the objectives of preventing and combating the infringement of external and internal regulations on the subject; on the other hand, checks were carried out regarding compliance by the Bank's personnel with internal procedures and regulatory obligations, with specific regard to "active co-operation" and ongoing monitoring of customer transactions.

More specifically, some checks were carried out in order to verify compliance with the following obligations:

- Customer due diligence
- Recording and storage of information on accounts and transactions
- Reporting of aggregate data
- Objective SOS (suspicious transaction reporting) notices
- Detection, measurement and reporting of suspicious transactions
- Limitations on the use of cash

Further controls were implemented to strengthen those already in existence:

- with reference to “substantive evidence”, online control was activated for a number of cases, i.e. checks were carried out in real time at the close of the counter transaction (and no longer during overnight batch processing);
- Management was implemented of the so-called trigger events, which, when they occur, trigger the creation of a questionnaire or a recognition report within the SIB procedure;
- A review was carried out of the operating procedure governing the opening of accounts with traders of the FEEDO service, strengthening a number of controls and specifically introducing more robust checks on such customers.

Lastly, Internal Audit carried out both audits on processes and monitoring activities provided for by current legislation. In addition, follow-up activities were performed aimed at verifying the resolution of the criticalities detected during control activities.
Specifically, the audit carried out on the processes concerned both banking and financial activities. More specifically, with reference to the banking sector, during the year specific audits were carried out on money laundering, usury and privacy with specific reference to the tracking of banking operations.
A check was also carried out on the Swift Self Attestation and a follow-up on the IT audit regarding the IT applications developed by the Bank. This was supplemented by remote and on-site monitoring of operations carried out by branches, financial advisors and external collaborators.

On the other hand, with reference to the financial sector, the audits concerned the various investment services provided by the Bank (trading on own account, execution of customers’ orders, receipt and transmission of orders, placement of financial instruments).
In this regard, both the regulatory aspects and the effectiveness and reliability of the information systems supporting the bank’s operations were verified for the various analysed processes.

Further audits (connected to the laws in force) were conducted regarding the ICAAP/ILAAP process, liquidity management process, remuneration policies, management of related-party transactions, operational continuity management process, Risk Appetite Framework and outsourced functions. Furthermore, an audit was carried out on second level control functions, in addition to an audit on the single customer aggregated position (Single Customer View- SCV) to verify its compliance with the applicable legislation.

The checks carried out showed that most of the improvement areas identified had been remedied by adopting the necessary corrective actions, ensuring adequate monitoring of the risks to which the Bank is exposed. In the cases where more time was required for a solution, dedicated action plans were drawn up, which will be the object of a subsequent follow-up.

Risk Management

Risk management is one of the major areas on which the Bank focuses its attention, since it is well aware that the development of adequate control measures in the various identified risk areas is the best guarantee of sound and prudent management.

Section E of the Notes summarises the information on risks and the related hedging policies. We also recall that the "Risk Management Process" is described in a specific document. This process consists of the following phases:

1. Risk mapping
2. Protective measures
3. Risk assessment
4. Stress *testing*
5. Risk monitoring and reporting

Risk mapping

Through mapping, the Bank has identified the risks to which it is exposed. Based on the knowledge of the Bank's organisation, the market in which it operates, the regulatory framework, as well as the strategic and operational objectives and the related threats and opportunities, all the risks associated with providing both banking and financial services were identified, i.e.:

- *Credit risk (counterparty included)*
- *Market risk (associated with proprietary trading)*
  - Position risk
  - Settlement risk
  - Concentration risk
  - Exchange rate risk
- *Market risk (associated with trading on behalf of third parties)*
  - Settlement risk
  - Concentration risk

   - Counterparty risk
- *Operational risk*
   - Legal risk
   - Organisational risk
   - Risk linked to human resources
   - IT risk
   - Risk related to external events
- *Concentration risk*
- *Interest rate risk*
- *Liquidity risk*
- *Risk of conflict of interest with "Related Parties"*
- *Risk associated with equity investments*
- *Country risk*
- *Risk of excessive leverage*
- *Residual risk*
- *Strategic risk*
- *Reputational risk*
- *Anti-money laundering risk*
- *ESG Risks*
- Climate and environmental risks

Protective measures

Protective measures refer to the process of selecting and implementing the tools necessary to control, mitigate and, where possible, eliminate and/or transfer risks.

For each significant identified risk, the Bank has put in place related mitigating measures, in order to contain exposure to risk within the limits that meet sound and prudent management criteria.

Risk assessment

The risk assessment step is of crucial importance to preserve the Bank's asset and financial integrity and to implement corporate strategies, in order to establish the relative importance of all mapped risks and identify the most relevant ones.

This process involves the identification of "Typical Events" that are part of operating activities, and which may pose a threat to the Bank; this requires a "Probability - Impact Matrix" analysis and the assignment of a significance score to each of them.

Each score assesses a risk exposure through a qualitative scale (low/medium/high), enabling the definition of risk acceptance levels, and consequently, the corrective measures to be taken, if any.

Stress testing

This activity consists in carrying out stress tests designed to better assess the Bank's exposure to risks, the risk mitigating and monitoring systems and, where necessary, the Internal Capital adequacy.

Stress tests consist of quantitative and qualitative techniques by which we evaluate the Bank's vulnerability to exceptional but plausible events; this is made by assessing the effects on the Bank's risk of specific events (sensitivity analysis) or of concurrent changes in a set of economic and financial variables in the event of adverse scenarios (scenario analysis).

Risk monitoring and reporting

Monitoring aims to determine, for each significant risk identified, on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.

Thereafter, reporting activities are performed that describe the results of the checks carried out.

A control structure is in place to this end, which defines:

- those responsible for conducting the audits (first, second and third level controls);
- object and frequency of controls;
- control methods and tools;
- recipients of information flows.

Audit activities are carried out through integrated controls performed and differently organised according to the various levels within the Bank, in order to prevent multiple audits of operating units.

Any detected anomalies must be reported to the relevant Corporate Bodies along with any corrective actions to be undertaken.

The ICAAP and ILAAP process

The provisions on the prudential supervision of banks (Circular of Banca d’Italia no. 285 of 17 December 2013 as amended and supplemented), require the Bank to prepare the "ICAAP/ILAAP Report" at 31 December 2023, which was drawn up by the Bank in a timely manner.

The document is a documented self-assessment of the fundamental qualitative characteristics and results:

- for the ICAAP (Internal Capital Adequacy Assessment Process) - of the capital planning process, the overall exposure to risks and the consequent capital profile, both current and prospective, under normal and stressed conditions;
- for the ILAAP (Internal Liquidity Adequacy Assessment Process), of the liquidity risk governance and management system, the exposure to liquidity risk in terms of both the ability to raise funds in the market and available cash, the level of liquidity reserves and the financing sources and channels to be used.

Specifically, in the Reporting section dedicated to the ICAAP process, all risks, both "measurable" and "non-measurable", identified as a result of the mapping activity, were taken into account.
In order to determine the "internal capital" in relation to each of the "measurable" risks, the Bank measured its exposure to them. In this sense, as provided for banks belonging to Class 3 and in accordance with the principle of proportionality, the following techniques were deemed most appropriate and, therefore used as a reference:

- For Pillar I risks (credit, market and operating risks), the quantitative measurement techniques as provided for by regulations for capital requirements calculations, using the standardised approach;
- For Pillar II "measurable" risks (concentration and interest rate risks), the simplified quantitative measurement methods as provided for by the Supervisory regulations.

With reference to *market risk related to trading on behalf of third parties*, although no specific capital requirement is envisaged, the Bank uses special IT tools through which it can evaluate the exposure in question at all times.
With reference to excessive leverage risk, its quantitative assessment is carried out through the "leverage ratio" indicator, which is the ratio between Tier 1 and total unweighted assets, the value of which is disclosed to the Supervisory Authority as part of the "Base LEVI" disclosure.
In parallel, with reference to the other "non-measurable" risks (*strategic, reputational, residual and anti-money laundering risks*), which are difficult to quantify due to their intrinsic characteristics, the estimate of the bank's exposure is based on subjective assessments carried out on the basis of mainly qualitative methods defined in relation to the nature of each risk.
The assessment of the risk of conflict of interest with respect to "Related Parties", the risk associated with the acquisition of equity investments and country risk is performed by checking the effectiveness of the relevant protective measures put in place by the Bank.

To better assess its capital adequacy, the Bank has carried out stress tests that consist of testing the effects of specific events on the risks to which it is exposed. The Bank therefore performed sensitivity analyses aimed at verifying the impact on the bank's balance sheet of "extreme", yet plausible, changes in the following risks (individually assessed):

- Credit
- Concentration
- Interest rate
- Liquidity
- Own Funds
- *Leverage Ratio*

The approach defined allows for an assessment of both the impact of predefined stress tests, based on standard methodological practices, and of customised tests, based on portfolio characteristics or the economic situation.

Consistent with the Supervisory regulations, we calculated the internal capital against Pillar I risks and Pillar II measurable risks which require capital for regulatory purposes. These values were used as the starting point for defining the "Total Internal Capital", by applying a building blocks approach, consisting of an algebraical sum of the internal capital related to each type of risk.

Finally, the connection was made between the Bank's Own Funds and the different types of "total internal capital" (relating to actual and budgeted data, stressed and non-stressed data), in order to verify its adequacy.

The results of this analysis showed that, under all tested conditions, capital ratios were adequate to cover the exposure to the risks assumed, both in normal and in stress conditions, despite a reduced margin of own funds compared to the minimum requirements established by the legislation in force. For this reason, the Bank promptly carried out a share capital increase, completed in March 2024, which enabled it to restore an adequate capital buffer. In any case, maintaining an adequate capital surplus compared to the minimum regulatory capital is subject to constant monitoring.

In relation to the ILAAP, a liquidity risk measurement and control activity was carried out, both "short term" and "structural", in "normal" and "stressed" conditions, although said risk does not yet involve any capital absorption.

In particular, liquidity risk monitoring was performed by:

1. verifying that the Bank has the “very short-term” liquidity (1 to 30 days) and "short-term” liquidity (up to 12 months) necessary to carry out operations, respectively on daily and monthly basis;
2. monitoring compliance with operational limits to the assumption of liquidity risks on a monthly basis, through the observation of early warning short-term and structural indicators;
3. performing “stress tests” on a monthly basis;
4. monitoring "systemic" and "specific" early warning indicators, respectively on a daily and monthly basis.

These monitoring activities showed that the Bank can deal with potential "short-term" or "structural" liquidity tensions through its "liquidity reserves".

Furthermore, an analysis of the Bank's operating liquidity in stressed conditions was carried out through ongoing monitoring of the performance of the short-term "LCR" ("Liquidity Coverage Ratio") indicator, which during the year was constantly higher than the minimum mandatory requirement (100%).

In order to assess the impact of adverse events on risk exposure and on the adequacy of "liquidity reserves" both from a quantitative and qualitative standpoint, additional stress tests on the regulatory LCR (Liquidity Coverage Ratio) were carried out.
In particular, the following scenarios were assumed:
1) Market crisis scenario: a financial crisis external to the Bank that causes a general devaluation of the assets included in the Liquidity Buffer; because this buffer is made up almost exclusively of Italian government bonds, a value reduction of 5% is applied to the bond component. Also in the case of a financial crisis, the likely effect would be a greater use of the credit lines granted, as well as an increase in outflows related to products and services offered to customers.
2) Idiosyncratic crisis scenario: the onset of a crisis directly affecting the Bank (for example a crisis caused by a reputational event) that causes an increase in liquidity outflows due to the withdrawal of customer deposits.
3) Considering the start of the collection of time deposits through fintech platforms, where applicable, early divestment is envisaged of 50% of the deposits collected through the aforementioned channel.

This stress test also did not reveal any infringement of the minimum regulatory requirement.
Therefore, the Bank is able to cope with liquidity needs through its autonomous funding capacity, both in stress situations and in the event of an additional stress scenario compared to that envisaged by the legislation in force.
The quarterly monitoring on the degree of assets encumbrance and the AER (Asset Encumbrance Ratio) and EAER (Eligible Asset Encumbrance Ratio) indicators did not reveal any anomaly, and said ratios were consistent with the operating limits defined by the internal regulations.

Public Disclosure

According to supervisory regulations, capital adequacy, risk exposure and the general features of the systems used to identify, measure and manage those risks are to be disclosed by the Bank (i.e. Pillar III).
The document provides information about the level of business risk, the methods used by the Bank to quantify and manage its risks, in relation to the size of existing and future capital resources.

The public disclosure document required by the third pillar supervisory regulations will be published on the company's website (www.bancapromos.it) together with the financial statements for FY 2023.

Return on Assets indicator

Pursuant to Article 90 of Directive 2013/36/EU, or CRD IV, the Return on Assets indicator is shown below (Public Disclosure of return on Assets), calculated as the ratio of net profit to total assets[3], which was -1.4% as at 31 December 2023.

Events subsequent to 31 December 2023

In the period between the reporting date and the date of approval of these financial statements by the Board of Directors, no events occurred requiring changes to the data approved as such.

Business Outlook

In the World Economic Outlook Update of January 2024, the International Monetary Fund reviewed the global growth forecasts for the current year, setting them at + 3.1%. According to the IMF, prospects were positively impacted by the performance – slightly better than anticipated - of the economy of the USA and of a number of large emerging markets, and by the fiscal measures implemented by China.

In the USA, both GDP and consumption appear to have returned to pre-pandemic levels, unlike the scenario in Europe. With regard to Italy, the IMF forecasts remain unchanged, with 0.7% predicted for 2024, the same level as achieved in 2023. This level is consistent with the ECB forecasts of approx. 0.8% growth for the Euro area, with substantially modest rates of expansion, undoubtedly below pre-pandemic levels.

FED, ECB AND BOE rates are expected to remain stable at the current levels for at least the first half of the year, without excluding a gradual decrease proportional to the fall in inflation, considering the general trend towards deflation.

These hypotheses formulated on the global economic and financial scenario may of course be affected by the geopolitical risks and tensions that could continue to have a significant impact on the energy market, and more generally on international trade flows and prices.

The trends in the new context show a potentially positive development of the income statement items, based on the trend data for Q1 2024 – volumes of over five and a half billion, up 20% on the

[3] Pursuant to Banca d'Italia Circular No. 262/2005, the items to be considered are "Total Assets" and item 300 "Profit/(Loss) for the year in the individual financial statements.

same period of last year, and a 10% rise in trading income. At the same time, Banca Promos is determined to achieve the objectives of the partnership identification project, which, as already described, will enable both the capital strengthening of the Bank and a diversification of its business model, with a view to guaranteeing a stable growth in profits and a return to profitability.

Proposal to Approve the Financial Statements

Dear Shareholders, the financial statements that are submitted for your approval provide a clear, truthful and fair view of the Bank's financial position and performance.
We therefore ask you to approve the Financial Statements as at 31 December 2023 as prepared by the Board of Directors, together with the attached reports of the Independent Auditors, KPMG SpA, and the Statutory Auditors.

Therefore, the Shareholders' Meeting, after acknowledging the Balance Sheet, Income Statement, Statement of Comprehensive Income, statements of changes in Shareholders' Equity, Cash Flow Statement and the Notes, as well as the Directors' Report, the Board of Statutory Auditors' Report and the Independent Auditors' Report, is called upon to resolve on the carry forward of the resulting loss amounting to €684,947 at 31 December 2023.

Acknowledgements

Dear Shareholders, we would like to end this report and this year by confirming the constant efforts of the Board to combine healthy, prudent management with an ability to rise to the continual challenges your Bank is called upon to face. Once again, we would like to express our extreme gratitude to all our shareholders, who, as is customary, have provided the management with constant, active support, offering suggestions and constructive criticism that acts as a driver and an encouragement for our efforts.

Heartfelt thanks also go to our customers, who have demonstrated unfailing confidence in us.

We would also like to thank the Board of Statutory Auditors for monitoring our operations, and the auditing firm for the accuracy and rigour of the checks carried out, as well as the representatives of the supervisory bodies, especially those of the Naples Office of Banca d'Italia, whose assistance and collaboration we have always been able to rely on.

Last but by no means least, we would like to express our appreciation and gratitude for all the staff of our Bank for their profound affection for the company and their unwavering, efficient efforts, more precious than ever in this period of profound change for the Italian banking system.

The Board of Directors

Report of the Board of Statutory Auditors

(only in Italian)

BANCA PROMOS SOCIETA' PER AZIONI

Sede Legale: VIALE GRAMSCI 19 - NAPOLI (NA)
Iscritta al Registro Imprese della CCIAA DI NAPOLI
C.F. e numero iscrizione: 03321720637
Iscritta al R.E.A. della CCIAA DI NAPOLI n. 329424
Capitale Sociale sottoscritto €: 8.514.000,00 Interamente versato
Partita IVA: 04368171007

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEI SOCI IN OCCASIONE DELL'APPROVAZIONE DEL BILANCIO DI ESERCIZIO CHIUSO AL 31 DICEMBRE 2023 REDATTA AI SENSI DELL'ART. 2429, CO. 2, C.C.

Ai Soci della Società Banca Promos S.p.A.

Nel corso dell'esercizio chiuso al 31 dicembre 2023 la nostra attività è stata ispirata alle disposizioni di legge e alle Norme di comportamento del collegio sindacale di società non quotate emanate dal Consiglio Nazionale dei Dottori commercialisti e degli Esperti contabili.

Di tale attività e dei risultati conseguiti Vi portiamo a conoscenza con la presente relazione.

È stato sottoposto al Vostro esame il bilancio d'esercizio della Banca Promos S.p.A. al 31.12.2023, redatto in conformità alle norme italiane che ne disciplinano la redazione, che evidenzia un risultato d'esercizio di euro – 684.947. Il bilancio è stato messo a nostra disposizione con il nostro assenso, in deroga al termine di cui all'art. 2429 c.c.

Il Collegio sindacale non essendo incaricato della revisione legale, ha svolto sul bilancio le attività di vigilanza previste nella Norma 3.8. delle "Norme di comportamento del collegio sindacale di società non quotate" consistenti in un controllo sintetico complessivo volto a verificare che il bilancio sia stato correttamente redatto. La verifica della rispondenza ai dati contabili spetta, infatti, all'incaricato della revisione legale.

Il soggetto incaricato della revisione legale dei conti la società di revisione KPMG SPA ci ha consegnato la propria relazione datata 12 aprile 2024 contenente un giudizio senza modifica.

Da quanto riportato nella relazione del soggetto incaricato della revisione legale il bilancio d'esercizio al 31.12.2023 rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa della Vostra Società ed è stato redatto in conformità alla normativa che ne disciplina la redazione.

1) **Attività di vigilanza ai sensi degli artt. 2403 e ss. c.c.**

Abbiamo vigilato sull'osservanza della legge e dello statuto, sul rispetto dei principi di corretta amministrazione e, in particolare, sull'adeguatezza dell'assetto organizzativo, amministrativo e contabile adottato dalla società e sul suo concreto funzionamento.

Abbiamo partecipato alle assemblee dei soci e alle riunioni del consiglio di amministrazione e, sulla base delle informazioni disponibili, non abbiamo rilievi particolari da segnalare.

Abbiamo acquisito dall'organo di amministrazione con adeguato anticipo e anche durante le riunioni svolte, informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggiore rilievo, per le loro dimensioni o caratteristiche, effettuate dalla società e, in base alle informazioni acquisite, non abbiamo osservazioni particolari da riferire.

Con il soggetto incaricato della revisione legale abbiamo scambiato tempestivamente dati e informazioni rilevanti per lo svolgimento della nostra attività di vigilanza.

Abbiamo acquisito informazioni dal preposto al sistema di controllo interno e non sono emersi dati ed informazioni rilevanti che debbano essere evidenziate nella presente relazione

Abbiamo acquisito informazioni dall'organismo di vigilanza e non sono emerse criticità rispetto alla corretta attuazione del modello organizzativo che debbano essere evidenziate nella presente relazione

Abbiamo acquisito conoscenza e abbiamo vigilato sull'adeguatezza dell'assetto organizzativo, amministrativo e contabile e sul suo concreto funzionamento anche tramite la raccolta di informazioni dai responsabili delle funzioni e a tale riguardo non abbiamo osservazioni particolari da riferire.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni e l'esame dei documenti aziendali, e a tale riguardo, non abbiamo osservazioni particolari da riferire.

Non sono pervenute denunzie dai soci *ex* art. 2408 c.c. o *ex* art. 2409 c.c.

Non abbiamo presentato denunzia al tribunale *ex* art. 2409 c.c.

Non abbiamo effettuato segnalazioni all'organo di amministrazione ai sensi e per gli effetti di cui all'art. 15 d.l. n. 118/2021 o ai sensi e per gli effetti di cui all'art. 25-*octies* d.lgs. 12 gennaio 2019, n. 14. Non abbiamo ricevuto segnalazioni da parte dei creditori pubblici ai sensi e per gli effetti di cui art. 25-*novies* d.lgs. 12 gennaio 2019, n. 14, o ai sensi e per gli effetti di cui all'art. 30-*sexies* d.l. 6 novembre 2021, n. 152, convertito dalla legge 29 dicembre 2021, n. 233, e successive modificazioni.

Nel corso dell'esercizio non sono stati rilasciati dal Collegio sindacale pareri e osservazioni previsti dalla legge.

Nel corso dell'attività di vigilanza, come sopra descritta, l'Organo di Controllo è stato costantemente aggiornato, nell'ambito delle riunioni del C.d.A., tenutesi nell'esercizio appena concluso ed in questi primi mesi del 2024, sulle iniziative intraprese dalla Banca Promos in seguito alla verifica ispettiva della Banca d'Italia, conclusasi il 15 aprile 2022, i cui esiti sono stati resi noti nel mese di maggio 2022.

In particolare, così come già segnalato nella relazione al bilancio 2022, relativamente alla ricerca di un partner industriale per operazioni sul capitale della banca, nei primi mesi del 2023, i principali azionisti avevano selezionato l'offerta che era stata considerata più adeguata e maggiormente conforme alle aspettative dell'Autorità di Vigilanza.

Nel corso degli approfondimenti necessari all'avvio dell'iter autorizzativo per l'acquisizione del controllo della Banca, però, sono emerse delle criticità e, pertanto, si è deciso di abbandonare tale trattativa e proseguire nella ricerca di nuovi partner.

Alla luce di ciò, il Consiglio di Amministrazione ha intrapreso trattative con un nuovo partner, mediante l'ausilio di un nuovo Advisor, conclusasi con la formulazione, da parte di un investitore italiano, di un'offerta vincolante articolata in due fasi: un primo ingresso nel capitale attraverso la sottoscrizione dell'aumento di capitale per una percentuale pari al 9,09%, e, successivamente, subordinatamente all'ottenimento delle necessarie autorizzazioni, un incremento della partecipazione, attraverso l'acquisto del pacchetto di maggioranza.

Nel mese di settembre, nel corso delle sopracitate trattative, il Consiglio di Amministrazione ed il Collegio Sindacale, hanno evidenziato l'importanza di procedere con un'operazione di rafforzamento patrimoniale. Di conseguenza è stata convocata l'Assemblea Straordinaria degli azionisti, tenutasi il 13 Novembre 2023, la quale ha deliberato l'aumento del capitale sociale, per massimi nominali Euro 774.000, mediante emissione, in regime di dematerializzazione, di un numero massimo di 774.000 azioni ordinarie del valore nominale di euro 1,00 (uno) cadauna, al prezzo unitario di 1,938 euro, aventi le stesse caratteristiche di quelle già in circolazione e godimento regolare.

L'operazione straordinaria si è conclusa con l'integrale sottoscrizione in data 5.03.24, da parte di un nuovo socio, persona fisica, delle n. 774.000 Nuove Azioni offerte, per un controvalore di € 1.500.012,00 (comprensivo di 726.012 euro di sovrapprezzo azioni), non avendo alcun azionista esercitato il proprio diritto di opzione.

Si dovranno a questo punto attendere gli esiti della richiesta di autorizzazione che sarà sottoposta ad autorizzazione della BCE, su proposta di Banca d'Italia e, sulla quale l'Organo di controllo continuerà a vigilare.

Osservazioni in ordine al bilancio d'esercizio

Da quanto riportato nella relazione del soggetto incaricato della revisione legale, "il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Banca Promos S.p.A. al 31.12.2023, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità alle norme italiane che ne disciplinano i criteri di redazione".

Per quanto a nostra conoscenza, gli amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, co. 5, c.c..

2) Osservazioni e proposte in ordine alla approvazione del bilancio

Considerando le risultanze dell'attività da noi svolta e il giudizio espresso nella relazione di revisione rilasciata dal soggetto incaricato della revisione legale dei conti, non rileviamo motivi ostativi all'approvazione, da parte dei soci, del bilancio d'esercizio chiuso al 31 dicembre 2023, così come redatto dagli amministratori.

Il Collegio sindacale concorda con la proposta di destinazione del risultato d'esercizio formulata dagli amministratori nella nota integrativa.

Napoli, 12.04.24

Il Collegio sindacale

Financial Statements

as at 31 December 2023

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore, they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS.

Balance Sheet – Assets

(Amounts in Euros)

	Assets	2023	2022
10.	Cash and cash equivalents	16,768,033	17,476,731
20.	Financial assets measured at fair value through profit or loss	197,652	194,428
	a) financial assets held for trading	197,652	194,428
	b) financial assets designated at fair value	-	-
	c) other financial assets to be measured at fair value	-	-
30.	Financial assets measured at fair value through other comprehensive income	6,756	2,359,808
40.	Financial assets measured at amortised cost	24,210,994	30,238,732
	a) receivables from banks	9,457,601	11,090,307
	b) loans to customers	14,753,393	19,148,425
70.	Equity investments	45,000	61,250
80.	Tangible assets	4,946,065	5,079,230
90.	Intangible fixed assets	240,666	393,424
	of which: - goodwill	-	-
100.	Tax assets	1,204,235	1,201,875
	a) current	257,812	227,746
	b) prepaid	946,423	974,129
110.	Non-current assets and disposal groups	82,000	82,000
120	Other assets	1,304,956	1,159,785
	Total assets	**49,006,357**	**58,247,263**

Balance Sheet – Liabilities

(Amounts in Euros)

	Liabilities and shareholders' equity	2023	2022
10.	Financial liabilities measured at amortised cost	33,578,950	43,551,088
	a) payables to banks	4,025,367	11,761,612
	b) payables to customers	29,553,583	31,789,476
	c) outstanding securities	-	-
60.	Tax liabilities	-	241
	a) current	-	-
	b) deferred	-	241
80.	Other liabilities	2,827,575	1,360,659
90.	Employee severance indemnity	1,162,519	1,194,793
100.	Provisions for liabilities and charges:	2,848	5,505
	a) commitments and guarantees granted	2,848	5,505
	b) retirement and similar obligations	-	-
	c) other provisions for liabilities and charges	-	-
110.	Valuation reserves	-1,024,440	-1,008,875
140.	Reserves	4,332,940	4,400,177
150.	Share premium account	1,070,912	1,070,912
160.	Share capital	7,740,000	7,740,000
180.	Profit (loss) for the year (+/-)	-684,947	-67,237
	Total liabilities and shareholders' equity	**49,006,357**	**58,247,263**

Income Statement

(Amounts in Euros)

	Items	2023	2022
10.	Interest and similar income	1,123,054	661,549
	of which: interest income calculated using the effective interest method	1,076,874	630,292
20.	Interest and similar expenses	(726,715)	(240,959)
30.	**Net interest income**	**396,339**	**420,590**
40.	Commission income	266,863	315,400
50.	Commissions expense	(415,872)	(308,245)
60.	**Net commissions**	**(149,009)**	**7,155**
70.	Dividends and similar income	111	5
80.	Net income on trading activity	2,774,447	3,460,583
100.	Profits (losses) on disposal or repurchase of:	(1,803)	1,618
	a) financial assets measured at amortised cost	(3,411)	-
	b) financial assets measured at fair value through other comprehensive income	1,608	1,618
	c) financial liabilities	-	-
110.	Net income/loss on the other financial assets and liabilities measured at fair value through profit or loss	-	(5,955)
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	-	(5,955)
120.	**Brokerage margin**	**3,020,085**	**3,883,996**
130.	Net adjustments/write-backs for credit risk of:	121,061	(20,609)
	a) financial assets measured at amortised cost	118,718	(8,730)
	b) financial assets measured at fair value through other comprehensive income	2,343	(11,879)
140.	Profits / losses from contractual changes without derecognition	-	(671)
150.	**Net result of financial operations**	**3,141,146**	**3,862,716**
160.	Administrative expenses:	(3,765,044)	(3,819,226)
	a) personnel expenses	(2,266,580)	(2,210,313)
	b) other administrative expenses	(1,498,464)	(1,608,913)
170.	Net allocations to provisions for liabilities and charges	2,657	(19,396)
	a) commitments and guarantees granted	2,657	6,889
	b) other net allocations	-	(26,285)
180.	Net adjustments to/write-backs on tangible assets	(156,332)	(167,048)
190.	Net adjustments to/write-backs on intangible assets	(202,214)	(230,816)
200.	Other operating expenses/income	316,070	230,767
210.	**Operating costs**	**(3,804,863)**	**(4,005,719)**
220.	Profits (losses) on equity investments	(16,250)	-
250.	Profits (losses) on investment disposal	-	1,230
260.	**Pre-tax profit (loss) of current operations**	**(679,967)**	**(141,773)**
270.	Income taxes for the year on current operations	(4,980)	74,536
280.	**Profit (loss) of current operations, after taxes**	**(684,947)**	**(67,237)**
300.	**Profit (loss) for the year**	**(684,947)**	**(67,237)**

Statement of Comprehensive Income

(Amounts in Euros)

	Items	2023	2022
10.	**Profit (loss) for the year**	**(684,947)**	**(67,237)**
	Other income items – after taxes – not reversed to income statement		
20.	Equity securities measured at fair value through other comprehensive income	(750)	(98,994)
30.	Financial liabilities designated at fair value through profit or loss (changes of own creditworthiness):	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income	-	-
50.	Tangible assets	-	-
60.	Intangible fixed assets	-	-
70.	Defined-benefit plans	(16,028)	170,782
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves for equity investments measured at equity	-	-
	Other income items – after taxes – reversed to income statement		
100.	Foreign investment hedging	-	-
110.	Exchange rate differences	-	-
120.	Cash flow hedging	-	-
130	Hedging instruments (items non designated)	-	-
140.	Financial assets (other than equity securities) carried at fair value through other comprehensive income:	1,213	(25,693)
150.	Non-current assets and disposal groups		
160.	Share of valuation reserves for equity investments measured at equity		
170.	**Total of other income items, after taxes**	**(15,565)**	**46,095**
180.	**Comprehensive income (Item 10+170)**	**(700,512)**	**(21,142)**

Banca Promos SpA - Statements making up the Financial Statements

Changes in Shareholders' Equity 2023

(Amounts in Euros)

	At 31.12.2022	Change in opening balances	At 1.1.2023	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31.12.2023
						Changes	Operations on shareholders' equity						Total profitability Comprehensive FY2023	
				Reserves	Dividends and other allocations	in reserves	New shares issued	Treasury shares purchased	Dividend extraordinary payment	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:														
a) ordinary shares	7,740,000		7,740,000	-			-	-						**7,740,000**
b) other shares	-		-	-			-	-						**-**
Share premium account	1,070,912		1,070,912	-		-	-							**1,070,912**
Reserves:														
a) profits	4,400,177	-	4,400,177	-67,237		-	-	-	-					**4,332,940**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-1,008,875	-	-1,008,875			-							-15,565	**-1,024,440**
Equity instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	-67,237	-	-67,237	67,237	-								-684,947	-684,947
Shareholders' Equity	12,134,977	-	12,134,977	-	-	-	-	-	-	-	-	-	-700,512	**11,434,465**

Banca Promos SpA - Statements making up the Financial Statements

Changes in Shareholders' Equity 2022

(Amounts in Euros)

	At 31.12.2021	Change in opening balances	At 1.1.2022	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31.12.2022
						Changes	Operations on shareholders' equity						Total profitability Comprehensive FY2023	
				Reserves	Dividends and other allocations	in reserves	New shares issued	Treasury shares purchased	Dividend extraordinary payment	Change in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:														
a) ordinary shares	7,740,000		7,740,000	-			-	-						**7,740,000**
b) other shares	-		-	-			-	-						**-**
Share premium account	1,070,912		1,070,912	-		-	-							**1,070,912**
Reserves:														
a) profits	4,090,001	-	4,090,001	310,176		-	-	-	-					**4,400,177**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-1,054,970	-	-1,054,970			-							46,095	**-1,008,875**
Equity instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	310,176	-	310,176	-310,176	-								-67,237	**-67,237**
Shareholders' Equity	12,156,120	-	12,156,120	-	-	-	-	-	-	-	-	-	-21,142	**12,134,977**

Cash Flow Statement

Indirect method

(Amounts in Euros)

A. OPERATIONS	Amount	
	2023	2022
1. Operations	**-324,642**	**414,145**
- operating result (+/-)	-684,947	-67,237
- gains / losses on financial assets held for trading and on other financial assets / liabilities measured at fair value through profit or loss (- / +)	-3,532	-8,218
- capital gains/losses on hedging activities (-/+)	-	-
- Net value adjustments/reversals for credit risk (+/-)	-121,061	20,609
- net value adjustments/reversals on tangible and intangible fixed assets (+/-)	358,546	397,864
- net allocations to provisions for liabilities and charges and other costs/revenue (+/-)	126,645	130,342
- outstanding taxes and tax credits (+/-)	4,980	-74,536
- net value adjustments/reversals of discontinued operations, net of tax effect (+/-)	-	-
- other adjustments (+/-)	-5,273	15,321
2. Liquidity generated/absorbed by financial assets	**8,336,035**	**532,276**
- financial assets held for trading	308	17,483
- financial assets designated at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	5,955
- financial assets measured at fair value through other comprehensive income	2,353,052	16,408,427
- financial assets measured at amortised cost	6,146,456	-15,356,068
- other assets	-163,781	-543,521
3. Liquidity generated/absorbed by financial liabilities	**-8,664,475**	**-3,476,073**
- financial liabilities measured at amortised cost	-9,972,138	-3,892,865
- financial liabilities held for trading	-	-
- financial liabilities designated at fair value	-	-
- other liabilities	1,307,663	416,792
Net liquidity generated/absorbed by operations	**-653,082**	**-2,529,652**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-**	**-**
- disposal of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of tangible assets	-	-
- sale of intangible assets	-	-
- sale of business units	-	-
2. Liquidity absorbed by	**-55,616**	**-115,002**

- purchase of equity investments	-	-
- purchase of tangible assets	-6,159	-40,036
- purchase of intangible assets	-49,457	-74,966
- purchase of business units	-	-
Net liquidity generated/absorbed by investments	**-55,616**	**-115,002**
C. BORROWING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- allocation of dividends and other aims	-	-
Net liquidity generated/absorbed by borrowing activities	-	-
NET LIQUIDITY GENERATED/ABSORBED IN THE FINANCIAL YEAR	**-708,698**	**-2,644,654**

KEY: (+) generated; (-) absorbed

RECONCILIATION		
Items	***Amount***	
	2023	**2022**
Opening cash and cash equivalents	**17,476,731**	**20,121,385**
Net total liquidity generated/absorbed during the financial year	**-708,698**	**-2,644,654**
Cash and cash equivalents: effect of changes in exchange rates	-	-
Closing cash and cash equivalents	**16,768,033**	**17,476,731**

In line with the amendment to IAS 7, introduced by Regulation 1990 of 6 November 2017, we provide here below the information required by paragraph 44 B in order to measure the movements in liabilities arising from financing activities, relating to both changes deriving from cash flows or non-cash changes.

A. Operating Activity - 3. Liquidity generated/absorbed by financial liabilities	**Amount 2023**
a) change due to cash flows from financing activities	-9,972,138
b) change due to control lost/acquired in subsidiaries or other companies	-
c) change in fair value	-
d) other changes	1,307,663
Liquidity generated/absorbed by financial liabilities	**-8,664,475**

Notes

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore, they are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices other than IAS/IFRS.

PART A – ACCOUNTING POLICIES

A.1 - GENERAL SECTION

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

These financial statements, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date.

The financial statements have been prepared by applying the IAS/IFRS standards as approved and in force at 31 December 2023.

In applying the IAS / IFRS, reference has been made to the "Framework for the preparation and presentation of financial statements" with regard to the fundamental principle of the prevalence of substance over form, and the concept of relevance and materiality of information.

Banca d’Italia defines the schedules and drafting rules of financial statements in Circular No. 262 of 22 December 2005 “Banks' financial statements: schedules and drafting rules", as updated and supplemented. The eighth update of the aforementioned Circular, issued on 17 November 2022, is currently in force.

In drafting the financial statements, the documents on the adoption of IAS/IFRS in Italy prepared by the Italian Accounting Standard Body (OIC) and the Italian Banking Association (ABI) were also considered in terms of interpretation.

In the absence of a standard or interpretation that is specifically applicable to a particular transaction, the Bank uses the professional judgement of its departments in developing accounting policies that provide reliable financial information to ensure that the financial statements give a true and fair view of the financial position of the Bank and its results of operations, reflecting the economic substance of the transaction and the material aspects related to it.

In formulating these accounting rules, reference has been made as far as possible to the provisions of the International Accounting Standards and the related interpretations dealing with similar or comparable cases.

Lastly, the communications of the Supervisory Bodies (Banca d’Italia, Consob, ESMA, EBA, ECB) have been taken into account to the extent applicable; they provide recommendations on disclosures in the annual financial statements regarding key matters or the accounting treatment of specific transactions

SECTION 2 – GENERAL DRAFTING PRINCIPLES

The financial statements were drafted by applying the general principles of IAS 1 and the specific accounting standards endorsed by the European Commission and illustrated in part A.2 of these Notes, as well as in compliance with the general assumptions of the so-called Framework drafted by the IASB for financial statements’ drafting and presentation.
There were no exceptions to the application of IAS/IFRS.

In accordance with art. 5 of Legislative Decree No. 38/2005, the financial statements are prepared using the Euro as reporting currency.

In preparing the financial statements, the formats and drafting rules referred to in Banca d’Italia Circular no. 262 of 22 December 2005, last update in force, were used.

Despite holding controlling interests in the innovative start-up Promos Fintech Srl, the Bank did not prepare consolidated financial statements due to the negligible relevance of the newly established subsidiary both in terms of balance sheet and income statement. For further details, please refer to the specific paragraph 4.1 included in "A.1 - General Part - Other Aspects" of this Part A.

The Financial Statements drafted at 31 December 2023 are clear and provide a true and correct representation of Bank's balance sheet, financial position, economic result for the period and change in shareholders' equity.

The Financial Statements consist of Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement – drafted according to the indirect method – the Notes and the pertinent comparative information. They are also accompanied by the Directors' Report on the Bank's operations and situation.

In addition, the international accounting standard IAS 1 "Presentation of financial statements", requires the presentation of a "Comprehensive Income Statement", which includes, among other income components, also the changes in the value of the assets recorded in the period as contra-entry to equity. In line with the provisions of the aforementioned Banca d'Italia Circular No. 262 of 2005, as subsequently updated, the Bank has chosen - as permitted by the accounting standard in question - to present the Comprehensive Income Statement in two statements: a first statement that shows the traditional income statement components and the related result for the year, and a second statement that, starting from the latter, shows the items of other comprehensive income ("comprehensive income statement").

The Balance Sheet and Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity and the Cash Flow Statement are drawn up in euros, while the figures shown in the Notes are expressed in thousands of euros. Any differences found between the information provided in the Notes to the Financial Statements and the financial statements are rounding differences. Unless otherwise specified, the figures shown in the Report on Operations are expressed in thousands of euros.

The balance sheet and the income statement are made up of items, sub-items and additional information details. Items with a nil value both in the current and previous year are not reported.

In the Income Statement and in the relevant section of the Notes, revenues are shown without a sign, while costs are shown in brackets. In comprehensive income, negative figures are indicated in brackets.

Moreover, the Directors' Report and the Notes provide the information required by international accounting standards, the Laws, Banca d'Italia and the National Commission for Companies and the Stock Exchange (Consob) in addition to such supplementary information as is deemed appropriate to provide a complete representation of financial statement data, although not specifically required by law.

The financial statements as at 31 December 2023 were drawn up according to the assumption of the Bank's business continuity as the directors have the reasonable expectation that the Bank will continue to operate in the foreseeable future. Conditions on financial markets and in the real economy and the still uncertain forecasts for the short / medium term require especially accurate assessments whether the going concern assumption is satisfied, as the Bank's historic results and its easy access to financial resources may not be sufficient in the current environment. The directors believe that the risks and uncertainties to which the Bank may be exposed are not significant and are therefore not such as to cast doubts on the Bank's ability to continue as a going concern, while considering the current macroeconomic context characterized by various factors, such as inflation, higher interest rates, geopolitical risks linked to the Russia/Ukraine conflict and the instability of the Middle Eastern region, as well as the related uncertainties that impact future developments.

Furthermore, the financial statements are in accordance with the general drafting standards, where applicable:

- Principle of truth, fairness and completeness in the presentation of the financial position and performance ("*true and fair view*");
- Accrual accounting standard;
- Principle of consistency of presentation and classification from one financial year to another (comparability);
- Principle of non-offsetting of items, save as expressly permitted;
- Principle of the prevalence of economic substance over legal form;
- Principle of prudence in exercising the necessary judgement when making estimates under uncertain conditions, so that assets or revenues are not overestimated and liabilities or costs are not underestimated, without this leading to the formation of hidden reserves or excessive provisions;
- Principle of information neutrality;
- Principle of relevance/materiality of information.

Lastly, with reference to the main implications on the application the international accounting standards (in particular IFRS 9) within the current macroeconomic context characterised by the geopolitical tensions due to the Russia/Ukraine war, reference should be made to the specific paragraph 4.6 “Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context”, included in Section 4 "Other aspects" of this Part A.

In 2023 there weren’t any changes in estimate criteria compared to those applied in drafting the Financial Statements as at December 2022 except for those reported in section “Other aspects” in section 4.6 in relation to the evaluation of loans to customers within the current macroeconomic context.

SECTION 3 – EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In the period between the reporting date and the date of approval of these financial statements by the Board of Directors, no events occurred requiring changes to the data approved at such nor did any significant event occurred requiring the disclosure of additional information.

SECTION 4 – OTHER ASPECTS

Please note that – further to the changed scenario connected to the COVID-19 pandemic, the Communication from Banca d’Italia of 14 March 2023 (Update of the provisions of Circular no. 262 "Banks' financial statements: schedules and drafting rules" concerning the impacts of COVID-19 and the measures to support the economy) has repealed and replaced the previous communication of 21 December 2021 (Update of the additions to the provisions of Circular no. 262 "Banks' financial statements: schedules and drafting rules" regarding the impacts of COVID-19 and the measures to support the economy).
Therefore, in this section, it is no longer required to report information related to the pandemic, which was instead required by the aforementioned communication of 21 December 2021.

4.1 – Consolidated financial statements

Despite holding a controlling interest in the innovative start-up Promos Fintech Srl, the Bank did not prepare consolidated financial statements due to the negligible relevance of the newly established subsidiary both in terms of balance sheet and income statement.
In this regard, it should be noted that the application of International Accounting Standards must be read with reference to the "Framework for the preparation and presentation of the financial statements" (Framework) which, in paragraphs 26 to 30, refers to the concepts of relevance and materiality of information. In particular, paragraph 26 states that *"Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations.”* Paragraph 29 establishes that “*The relevance of information is affected by its nature and materiality*” Finally, paragraph 30 specifies that materiality *" provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful”.* In this sense, it is one of the prerogatives of the directors to set this cut-off point or threshold.

In addition, in accordance with IAS 27, for the investment in the subsidiary Promos Fintech Srl, the equity method is used as a measurement criterion to be adopted in the bank's financial statements.

In preparing these financial statements, the Bank also proceeded to write off the value of the investment in the subsidiary Promos Corporate Srl, following the closing of the liquidation procedure, occurred at the end of 2023, which the aforementioned company was subjected to. Therefore, the impairment of €16 thousand was recognized in the specific income statement item "Profits (Losses) from equity investments". For further details, reference should be made to the special Section of the Notes of these Financial Statements.

Accordingly, and to ensure consistency with the current regime of exemption from supervisory reports on a consolidated basis, according to article 19, paragraph 1 of Regulation (EU) no.575/2013 (“CRR”), the Bank did not prepare consolidated financial statements, as the alignment (consolidation according to the equity method) between the value of the investment recorded in the financial statements and the value of the shareholders' equity of the subsidiary Promos Fintech srl, which was €15 thousand at 31 December 2023, is already ensured in the individual financial statements of the parent company. The subsidiary's total balance sheet is lower than the thresholds set by the supervisory instructions for consolidated reports (balance sheet assets less than €10 million).

On the basis of the above, pursuant to Circular No. 115 of 7 August 1990, on 18 December 2020, the Bank informed the Supervisory Board that Promos Bank will not submit the consolidated supervisory reporting until it exceeds the thresholds set forth in the aforementioned Article 19 CRR.

The subsidiaries' financial statements are attached to the Bank's financial statements.

4.2 *Accounting standards: amendments and IFRS interpretations effective from 1 January 2023*

The following accounting standards, amendments and IFRS interpretations have been applied for the first time by the Bank since 1 January 2023:

- IFRS 17 Insurance Contracts (including the amendments issued in June 2020): intended to replace IFRS 4 Insurance Contracts;
- Amendments to IFRS 17 Insurance contracts: *Initial Application of IFRS 17 and IFRS 9 – Comparative Information;*
- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies and to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*. The amendments are intended to improve accounting policies disclosures in order provide investors and other key financial statements users with more relevant information and to help companies distinguish changes in accounting estimates from changes in accounting policies;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction and model rules of the second pillar (international tax reform).

With Legislative Decree no. 209 of 27 December 2023 – published in the Official Journal General Series no. 301 of 28 December 2023 (delegated decree) and entered into force on 29 December 2023 - Italy has implemented Directive (EU) 2022/2523, aimed at guaranteeing a global minimum level of taxation for multinational groups of companies and large-scale national groups in the Union (so-called Global Minimum Tax or GMT).

This tax model is aimed at limiting tax competition by introducing, inter alia, a global minimum rate of 15% in each jurisdiction in which multinational companies operate.

The provisions contained in Title II of the delegated decree mentioned above introduced the GMT into the Italian tax system. Taking into account the option exercised by Italy for the introduction of a national minimum tax also for domestic groups, the GMT is divided into three distinct forms of tax levy with a specifically regulated hierarchical order of application:

- the national minimum tax (applicable starting from FY2024);
- the integrative minimum tax (applicable starting from FY2024);
- the supplementary minimum tax (applicable starting from FY2025).

The provisions of the delegated decree refer to further implementation and coordination measures of the national GMT regulations.
Considering that the first obligations which companies will be required to in terms of communications, tax returns and payments will be applied after the financial year ended 31 December 2023, at that date some specific information obligations governed by IAS 12 will be applied for financial statement purposes.

In this regard, it should be noted that with EU Regulation 2023/2468, the European Commission adopted the "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules" issued by the IASB in May 2023 and introducing further amendments to IAS 12 relating to the application of the provisions of Pillar Two of the OECD and to the financial statement disclosures.

Amendments to IAS 12 concern:

- the introduction of a temporary exception to the requirements for recognizing deferred tax assets and liabilities relating to the Pillar Two Model Rules for entities affected by the relevant International Tax Reform immediately after the issuance of the amendments by the IASB and retroactively in accordance with IAS 8;
- the obligation to disclose the relevant additional information starting from the financial statements for financial years starting on 1 January 2023 or later.

Specifically, in this last regard when the legislation on the "second pillar" is in force or substantially in force but has not yet become effective, the entity must provide known or reasonably estimable information helping the financial statements' users to understand the exposure to second pillar income taxes determined by the aforementioned legislation.

In compliance with these provisions, the current regulatory framework - pending the aforementioned implementation and/or coordination measures - is characterized by some interpretation doubts, also with specific reference to the subjective scope of application of the provisions in question.

The above mentioned amendments had no impact on the balance sheet and the income statement of the Bank at 31 December 2023.

4.3 Endorsed accounting standards that will become effective after 31 December 2023

Below are the accounting standards and accounting interpretations or amendments to existing accounting standards that will come into force after 31 December 2023:

- Amendments to IFRS16 *Leases*: *Lease Liability in a Sale and Leaseback* to clarify how a sale and leaseback meeting IFRS15 requirements for being recognised as a sale should be measured subsequently by the selling lessee. The amendments shall apply from 1 January 2024;
- Amendments to IAS 1 *Presentation of Financial Statements*: *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how the conditions to be met by an entity, within twelve months after the end of the financial year, affect the classification of a liability. The amendments shall apply from 1 January 2024.

The directors do not expect the adoption of these standards and the above-mentioned amendments to have a significant impact on the Bank's balance sheet and income statement.

4.4 International accounting standards not yet endorsed that will become effective over the next FYs

On the other hand, for the following accounting standards that have been amended, endorsement by the European Commission has not yet taken place:

- Amendments to IAS7 and IFRS7: Supplier Finance Arrangements to add quantitative and qualitative disclosure obligations inherent to financing agreements vis-à-vis suppliers;
- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.* The amendment clarifies when a currency cannot be converted into another currency, how to estimate the exchange rate, and the information to be provided in the notes.

The directors do not expect the adoption of these standards and the above-mentioned amendments to have a significant impact on the Bank’s balance sheet and income statement.

4.5 Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.

The estimate processes are based on previous experience and on other factors considered reasonable in the relevant cases, in order to estimate the book value of assets and liabilities that cannot readily be deduced from other sources. In particular, estimation processes were adopted to support the carrying amount of some of the most significant valuation items recorded in the accounts as required by the applicable regulations. These processes are largely based on estimates of the future recoverability of carrying amounts and have been performed on a going concern basis.

Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.

The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore, the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- verification of compliance with requirements for the classification of financial assets in accounting portfolios that provide for the use of the amortised cost criterion (SPPI Test), with specific reference to performance of the benchmark test;
- the quantification of impairment losses on loans and, more generally, of the other financial assets;
- the determination of fair value of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the fair value of financial instruments not listed in active markets;
- impairment test of goodwill and other intangible assets;
- measuring reserves for personnel and provisions for liabilities and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

As part of its policies for managing loans to customers, the Bank has adopted processes and methods for monitoring the progress of relationships which have led, among other things, to the classification of exposures into homogeneous risk categories. For the purposes of determining the recoverable value of impaired loans to customers, the Bank, within the scope of its classification and assessment policies, has used valuation methods and processes characterised by subjective elements and estimation processes, subject to risks and uncertainties, of some variables, mainly such as expected cash flows, expected recovery times and the estimated realisable value of the guarantees, if any, the modification of which may entail a change in recoverable value; this calculation is based on the information available as at the valuation date.

These processes supported the book values as at the date of preparation of these financial statements. The measurement process, as in the previous year, continues to be complex in view of persistent uncertainties in the macroeconomic environment and the market, characterized both by significant volatility of the financial parameters crucial for valuation purposes and by a progressive increase in interest rates, despite the reduction we are observing in the growth of the inflation trend in 2023, with no significant indicators of deterioration in credit quality up to this point. These parameters and the information used to verify the aforementioned values are therefore significantly influenced by these factors, the latter not being under the Bank’s control, which may be subject to swift and unforeseeable changes.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.

With specific reference to intangible assets, pursuant to IAS 38 the Bank has recognized intangible assets based on internally generated technology, intended to support the various business lines of the Bank and therefore capable of generating future economic benefits.

In compliance with the applicable accounting standard (IAS 38) research costs were recognized as incurred; conversely, the expenses incurred internally for the development of the related software projects were recognized, and therefore capitalized in the balance sheet. In particular, no costs were capitalized during FY2023; the intangible assets recorded in the balance sheet refer to capitalizations made in previous years.

For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

4.6 Risks, uncertainties, impacts and methods of application of the international accounting standards in the current macroeconomic context

Among the most recent important publications, we mention the public statement published by ESMA on 23 October 2023 entitled "European common enforcement priorities for 2023 annual financial reports". Climate-related issues continue to top ESMA's list of enforcement priorities. In particular, ESMA highlights the need for consistency between financial statements and non-financial information (e.g. between assumptions used in climate-related estimates and measurements). Furthermore, it highlights the importance of capturing the impact of climate risk on loan loss provisions.

In addition to the climate aspects, in its public statement published last year ESMA also pointed out how the current macroeconomic context represented a significant challenge for the expected loss calculation models used by European financial institutions, due to the difficulty in modelling new and unusual macroeconomic and geopolitical scenarios. Furthermore, ESMA recognized that the same macroeconomic scenarios can impact groups of debtors with different characteristics in different ways, requiring the greater exposure to specific risks of certain economic sectors to be taken into consideration when assessing the expected loss.

During the previous FY some uncertainties due to the final phase of the Covid-19 pandemic and the Russia-Ukraine conflict were recorded. In particular, new elements of uncertainty had emerged, leading to a revision of expectations due to the conflict, and making the risk measurement system particularly complex and characterized by the uncertainties reflected in the markets. These uncertainties are mainly attributable to the increase in energy and food prices, the disruption of supply chains, as well as the sudden increase in demand following the reopening of the economic sectors most hardly hit by the pandemic. In this context, the Bank implemented a particularly conservative risk management policy, continuing to adopt enhanced safeguards and processes, as in the previous two FYs.

In 2023, geopolitical uncertainties were exacerbated by the prolongation of the Russia-Ukraine conflict and the emergence of new tensions with potential influences on the European economy, such as the Israeli-Palestinian conflict and the terrorist actions recorded in Middle Eastern commercial maritime routes. During 2023, in addition to these conditions of potential instability, there was also a significant rise in interest rates, designed to contain inflation. The restrictive policies adopted by the European Central Babk, with the primary aim of bringing inflation back down to the target rate of 2%, are conditioning the growth process in the Euro area and in Italy, with possible direct and indirect impacts on credit risk and (re) financing.

In this context of uncertainty, during 2023 the Bank continued to focus on potential new criticalities and weaknesses in the credit risk area; it thus initiated important activities aimed, on the one hand, at identifying any direct impact on the risk factors related to exposures, and, on the other hand, at incorporating the new macroeconomic expectations.

From a macroeconomic standpoint, the Eurozone GDP growth forecasts published by the ECB in 2023 have become increasingly less optimistic, showing an economic growth trend of +0.8% and +1.5% and +1.5%, respectively, for the three-year period 2024-2026 in the December 2023 forecast, which showed a +0.6%

increase for 2024. The growth anticipated in the three-year forecasts was therefore slower and more modest than the projections published by the supervisory authority during 2022 and the first part of 2023, as a result of the less favourable loan conditions linked to the trend in interest rates and the high level of uncertainty perceived by consumers regarding the geo-political situation and inflation, which impacts their purchasing power.

The Euro area GDP forecasts published by the ECB in 2022 showed a growth trend of +0.5%, +1.9% and +1.8% for the three-year period 2023-2025, which was overall more bullish than the revised June and December 2023 forecast.

Essentially similar trends can also be found in the Italian macroeconomic environment. In particular, in December 2023, Banca d'Italia published its forecast for Italian GDP growth, which shows a growth trend for the three-year period 2024-2026 of +0.6%, +1.1% and +1.1%, respectively, and for 2023 of +0.7%, this last figure in any case above the expectations released in October 2023. As for the Eurozone GDP, this growth is lower than the supervisory authority's own projections published for 2022 and first months of 2023. The most recent economic projections for the 2023-2025 three-year period, issued in December 2022 by Banca d'Italia, foresaw a substantially stronger growth of the economy for the second and third year of +0.4%, +1.2% and +1.2% respectively.

Concerning the preparation of the Disclosure of the the financial statements as at 31 December 2023, the Bank continued to adopt the guidelines and recommendations issued by the aforementioned European regulatory and supervisory bodies and standard setters, while at the same time taking into account the residual support measures put in place by the Government in favour of households and businesses when assessing its relevant business activities.

Lastly, the Bank's management paid special attention, as usual, to the causes of uncertainty affecting the estimates involved in the process of quantifying certain asset and liability items in the balance sheet. Due to the effects of the evolution of the current macroeconomic scenario deriving from international tensions, the main areas of uncertainty regarding estimates include credit losses, the fair value of financial instruments, and income taxes.

The main financial statements areas most affected by the effects of this macroeconomic context and the related accounting choices made by the Bank as at 31 December 2023 are set out below.

Classification and measurement of loans to customers based on the general IFRS 9 impairment model

For the purposes of consistency with the standard and in order to calculate its expected loss as at 31 December 2023, the Bank incorporated into its own IFRS 9 impairment model macroeconomic scenarios including the effects of the Russia-Ukraine conflict and uncertainty in the evolution of the economic environment. These aspects significantly affect growth forecasts, the main macroeconomic parameters and financial ratios for the 2024-2026 three-year period, compared to previous expectations.

In order to calculate the IFRS9 value adjustments on the customer loan portfolio as at 31 December 2023, conservative criteria were adopted - in any case in accordance with the IAS/IFRS - taking into account the uncertainty deriving from the geopolitical context of reference and from the significant increase in interest rates, which occurred during 2023 in order to contain the inflationary spiral. Given the difficulty in estimating their duration and development, the prospective impact of the aforementioned events were reflected in the assessment of the Bank's loan portfolio, with a potential future increase in insolvency rates being forecast as a result.

For the calculation of expected loss as at 31 December 2023, the Bank used the three scenarios ("mild", "baseline", "adverse") making a reasonable average of their respective results, in light of the assessed macroeconomic projections which are still pricing in the high future variability. The Bank used the scenarios provided by the info-provider Prometeia, in accordance with a generation system that also takes into account the publications of the leading forecasting bodies as well as those issued by the Supervisory Authorities, without any adjustment. The update of the macroeconomic scenarios, despite the growth trend for the 2024-2026 three-year period being confirmed, continues to have a negative impact on the medium-long term forecasts of the Bank's risk factors, albeit less severely than previous projections.

Securities measured at fair value

The Bank's securities portfolio at fair value consists mainly of listed government and banking securities with a fair value level 1 that do not give rise to valuation issues arising from the effects of the pandemic crisis.

The remaining investments in unlisted non-controlling interests included in the portfolio of financial assets measured at fair value through other comprehensive income were subject to valuation at 31 December 2023. For additional details, see the relevant tables in the Notes.

4.7 Statutory audit of the accounts

The financial statements are audited by KPMG S.p.A., in application of the Shareholders' Meeting Resolution of 30/04/2019, which appointed the mentioned firm as independent auditors for the years 2019-2027.

4.8 Tax credit for research and development

The Research and Development activities carried out by Banca Promos during 2023 are admissible according to the Decree of 26 May 2020 by the Ministry of Economic Development, containing the provisions necessary to implement the tax credit rules in respect of investments in research and development referred to in Article 1, para. 200 of Law No. 160 of 27 December 2019.

During 2023, Bana Promos carried out Research and Development activities through a dedicated Work Group set up based on a project aimed at obtaining an innovative, original instrument. to support the corporate mission, in order to create new internal processes in line with the Bank's operating needs.

The subsidisable expenses incurred by the Bank amount to €91 thousand and are attributable to the category of Research and Development expenses reported in Paragraph 200 Article 1 Law No. 160 of 27 December 2019.

These incurred expenses resulted in a tax credit of €41 thousand.

The table shows the amount of tax credit recognised and the amounts offset in 2023:

CATEGORY TAX CREDIT	At 31.12.2022	Tax credit recognised in 2023	2023 Set-offs	At 31.12.2023
Research and Development (Paragraph 200 Article 1 Law No. 160 of 27 December 2019)	315	41	209	147
IT for Digital Innovation 4.0	76	-	3	73

The tax credit recognised in 2023 in the amount of €41 thousand is recognised under *item 200. Other income and expenses of the Income Statement*.

In addition, the tax credit utilisation schedule is presented herein:

	Tax Credit at 31.12.2023	**FINANCIAL DISTRIBUTION OF THE TAX CREDIT**		
YEAR		**2024**	**2025**	**2026**
R&S 2021	**83**	**85**	**-**	**-**
R&S 2022	47	23	23	-
Innovation 2022	49	24	24	-
R&S 2023	41	14	14	13
OVERALL TOTAL	**220**	**146**	**61**	**13**

4.9 Capital strengthening and search for a business partner

As already indicated in the 2022 Financial Statements, the Bank has for some time now been working on a plan to strengthen capital and to identify an industrial partnership with a view to effectively responding to the objectives highlighted by Banca d'Italia.

In continuity with the information provided in the previous Financial Statements, on 14 February 2023, the Board of Directors of the Bank acknowledged the acceptance on the part of the majority shareholders, following a complex process for the selection of possible counterparties and/or investors, of a binding offer from a holding company based in the Netherlands and operating in the finance and credit brokerage sector through trading and lending platforms, present in 11 countries worldwide.

The completion of the potential transaction was subject to the fulfilment of some conditions, including the issuance by the relevant authorities of all necessary approvals, authorisations and/or consents required by law. An authorisation system and strict information obligations for participation in the capital of banks are provided for in the regulations governing both the Italian and European banking and finance sector.

In this regard, it should be noted that during the investigations required before undertaking the authorisation process for the acquisition of control of the Bank, a number of elements came to light regarding the complexity of the group and its international geographical distribution. An assessment of these elements raised concerns regarding the possibility of successfully concluding the transaction and the timeframe necessary.

Therefore, the management and owners of the Bank concluded the negotiations with the counterparty, and embarked on new contacts to identify possible alternatives. During the second half of the year, with the help of a new advisor, contacts were strengthened with a new investor that showed interest in entering the share capital of the Bank.

In the light of the developments illustrated above, in September, the Board of Directors and the Board of Auditors of the Bank, also in the light of the financial and prudential data recorded in the first six months of 2023, highlighted the importance of undertaking an initial capital strengthening transaction to enable, in the short term, an extension of the additional capital buffer with regard to the regulatory minimum, in consideration of the timescale required for the structuring of the new transaction and pending the conclusion of the same, thus complying with the actions envisaged by the Bank within the framework of its Recovery Plan.

The offer formulated by the new investor involves the structuring of a two-stage transaction: an initial entry into the capital by underwriting a capital increase for a percentage of 9.09%, followed by – subject to the necessary authorisations – an increase in the investment.

The aim of the investment is to increase the Bank's business lines in the factoring and structured finance sectors, with a view to complementing its core activities with new segments able to guarantee an increase in revenue and profits.

The completion of the transaction is subject to the fulfilment of some conditions, including the issuance by the relevant authorities of all necessary authorisations.

Share capital increase transaction

As explained above, the aim of the share capital increase transaction was to strengthen the capital structure of the Bank, in order to increase the additional capital buffer with regard to the regulatory minimum, pending the conclusion of the partnership operation under way.

Therefore, the Extraordinary Shareholders' Meeting held on 13 November 2023 resolved to increase the share capital, by a maximum nominal amount of €774,000, through the issue, in dematerialised form, of a maximum number of 774,00 ordinary shares with a par value of €1.00 (one) each, at a unit price of €1.936, with the same characteristics as those already in circulation , and with regular dividend rights . The Shareholders were granted the option right pursuant to Art. 2441, second paragraph of the Italian Civil Code.

The Share Capital Increase was concluded at the beginning of March 2024, with all 774,000 New Shares offered underwritten for a un countervalue of €1,500,012.00 (inclusive of a €726,012 share premium). As contemplated by the regulations, the Bank filed the certificate of completion of the share capital increase with the Chamber of Commerce of Naples, pursuant to art. 2444 of the Civil Code.

Further to the transaction, the Bank's share capital amounts to €8,514,000.00, divided into 8,514,000 common shares with a par value of €1 each, whereas the share premium account amounts to €1,796,294.

The share capital increase described here also required an amendment of the pertinent article in the articles of association once the transaction was concluded.

4.10 Information Extraordinary tax on banks' excess profits as per Law Decree no. 104/2023

Please note that Law Decree no. 104 of 10 August 2023, converted, with amendments, into Law no. 136 of 9 October 2023, introduced an extraordinary tax (a windfall tax on excess profits) for banks, determined by applying a rate of 40% to the amount of the "interest margin" in item 30 of the income statement for 2023 that exceeds the same margin in FY 2021 by at least 10%. However, the legislation sets a ceiling for the tax due at 0.26% of risk-weighted assets, and offers banks the possibility to opt out of payment of the tax theoretically owed, if they allocate an amount of two and a half times the theoretically payable amount to a non-distributable reserve.

In this regard, based on the figures recorded at 31 December 2023, the Bank is under no obligation to pay any charges for the aforementioned extraordinary tax.

4.11 Disclosure according to IFRS 7: Interest rate benchmark reform

As at 31 December 2023, there were no benchmark-indexed derivatives affected by the reform, in particular EONIA and LIBOR.

At the same date, there were no cash flow hedging derivatives.

In the broader context of the complex benchmark reform process, it should be noted that the Bank does not hold assets or liabilities indexed to rates other than the EURIBOR.

A.2 - MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of these Financial Statements are indicated below.

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

Classification criteria

This category includes all financial assets that are not classified as financial assets at fair value through comprehensive income or as financial assets measured at amortised cost.

Specifically, financial assets at fair value through profit or loss include:

- financial assets which, according to the Bank's *Business Model*, are held for trading purposes, i.e. debt and equity securities (therefore, these assets are not held according to a business model aimed at the collection of contractual cash flows - "Hold to Collect" *Business Model* - or at the collection of contractual cash flows combined with the sale of financial assets - "Hold to Collect and Sell" *Business Model*) and the positive value of derivative contracts held for trading. These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss" sub-item "a) financial assets held for trading";
- financial assets designated at *fair value,* i.e. financial assets thus defined upon initial recognition where the conditions are met. In cases of this kind, upon recognition an entity may irrevocably designate a financial asset as at fair value through profit or loss if, and only if, so doing eliminates or significantly

reduces a measurement or recognition inconsistency. These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss" sub-item "b) financial assets assets designated at fair value";

- financial assets mandatorily measured at fair value, consisting of financial assets that do not meet the requirements for valuation at amortised cost or at fair value through other comprehensive income. These are financial assets with contractual terms that do not exclusively provide for principal repayment and payment of interest on outstanding principal ("SPPI test" not passed) or which are not held under a business model aimed at holding assets for the purpose of collecting contractual cash flows ("Hold to Collect" Business Model) or whose objective is achieved both by collecting the contractual cash flows and by selling financial assets ("Hold to Collect and Sell" Business Model). These assets are included in the balance sheet asset item "20. Financial assets measured at fair value through profit or loss" sub-item "c) other financial assets mandatorily measured at fair value".

Therefore, this item includes:

- debt securities and loans included in a Other/Trading *Business Model* (which, therefore cannot be included in a "Hold to Collect" or "Hold to Collect and Sell" *Business Model*) or which did not pass the *SPPI Test*;
- capital instruments, which cannot be qualified as interests in subsidiaries, associates or jointly controlled entities, that are held for trading or for which designation at fair value through other comprehensive income was not opted for upon initial recognition. Under IFRS 9, upon initial recognition an entity may exercise the irreversible option (the 'OCI option') to recognise an equity security at fair value through other comprehensive income;
- UCIT units;

The item also includes derivative contracts held for trading, reported as assets if their fair value is positive and as liabilities if their fair value is negative. The offsetting of current positive and negative amounts resulting from existing transactions with the same counterparty is possible only if there is a legal right to offsetting the amounts recognized in the accounts and the positions being netted are to be settled on a net basis.

According to the general rules established by IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of measured at fair value through profit or loss into one of the other two categories required by IFRS 9 (Financial assets measured at amortized cost or Financial assets measured at fair value through other comprehensive income). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. In this case, the effective interest rate of the reclassified financial asset is determined based on its fair value at the reclassification date and this date is considered as the initial recognition date for the allocation in the various stages of credit risk (stage assignment) for the purposes of impairment.

Recognition criteria

Financial assets are initially recognised at the settlement date for debt and equity instruments, at the disbursement date for loans and at the subscription date for derivative financial instruments.

On initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or gains directly attributable to the instrument itself, recognised directly in the Income Statement.

Measurement criteria

After initial recognition, financial assets measured at fair value through profit or loss are measured at fair value and changes are recognised in profit or loss. If the *fair value* of a financial asset becomes negative, this item is accounted for as a financial liability. The change in fair value of derivative contracts with a 'customer' counterparty takes their credit risk into account.

For more information on how *fair value* is calculated, see Section A.4 Fair Value Reporting of this part A.2.

Derecognition criteria

Financial assets measured at fair value through profit or loss are derecognised only when the dismissal entailed the transfer of all the risks and benefits associated with the assets. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

Recognition criteria of Income Statement items

The positive components of income consisting of interest income on securities and related income, as well as the differentials and margins accrued up to the reporting date, relating to derivative contracts classified in the item, but operationally linked to financial assets or liabilities measured at fair value (Fair Value Option), are recorded on an accrual basis in the interest items of the Income Statement.

The profits and losses on sale or reimbursement and unrealized profits and losses arising from changes in the fair value of the trading portfolio are classified in the Income Statement, in the item "80.Net income from trading activities for instruments held for trading" and in the item "110.Net income from other financial assets and liabilities at fair value through profit or loss" for instruments mandatorily at fair value and for instruments designated at fair value.

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

Classification criteria

Assets measured at fair value through other comprehensive income include assets jointly satisfying the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of the asset ("Hold to Collect and Sell" Business Model), and
- the contractual terms of the financial asset envisage cash flows on certain dates consisting solely of payments of principal and of interest on the outstanding principal ("SPPI test" passed).

The item also includes equity instruments, not held for trading, for which the option for designation at fair value through other comprehensive income was exercised upon initial recognition.

Therefore, this item includes:
- debt securities that fall within a "Hold to Collect and Sell" *Business Model* and have passed the *SPPI Test*;
- equity interests, not classified as interests in subsidiaries, associates or jointly controlled entities, which are not held for trading, for which the option for designation at fair value through other comprehensive income has been exercised;
- loans that fall within a "Hold to Collect and Sell" *Business Model* and have passed the *SPPI Test*;

According to the general rules established by IFRS 9 regarding the reclassification of financial assets (with the exception of equity securities, for which no reclassification is permitted), reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets.

In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category of measured at fair value through other comprehensive income into one of the other two categories required by IFRS 9 (Financial assets measured at amortized cost or Financial assets measured at fair value through profit or loss). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date. In the event of reclassification from the category in question to that of amortized cost, the accumulated profit (loss) recognized in the valuation reserve is used to adjust the fair value of the financial asset at the reclassification date. Conversely, in the event of reclassification into the category of fair value through profit or loss, the cumulative profit (loss) previously recognized in the valuation reserve is reclassified from equity to profit (loss) for the year.

Recognition criteria

Financial assets are initially recognised at the settling date for debt and equity instruments and at the disbursement date for loans.

Upon initial recognition, assets are stated at fair value, including transaction costs or income directly attributable to the instrument.

Measurement criteria

After initial recognition, assets measured at fair value through other comprehensive income other than equity securities, are measured at fair value with recognition in profit or loss of a) the impacts deriving from the amortised cost application, b) the effects of impairment and c) any exchange effect, while the gains or losses due to a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. At the time of partial or total disposal, the profit or loss accrued in the valuation reserve is reversed, wholly or in part, to the income statement (so-called recycling).

The equity instruments for which the entity opted for classification in this category are measured at fair value and the amounts recognized as contra entry in shareholders' equity (Statement of comprehensive income) must not subsequently be transferred to the income statement, including upon disposal (so-called *no recycling*). Dividends are the only element pertaining to the equity securities in question that is recorded in the income statement.

For equity securities not listed on an active market and included in this category, cost is used as a criterion for estimating *fair value,* only on a residual basis and in limited circumstances. For more information on how *fair value* is calculated, see Section A.4 Fair Value Reporting of this part A.2.

It should also be noted that "Financial assets measured at fair value through profit or loss", both in the form of debt securities and loans and receivables, are subject to impairment test pursuant to IFRS 9, just like Assets at amortized cost. Therefore, for the aforementioned instruments a value adjustment will be recognized in the Income Statement to cover the expected losses. The estimate of the expected loss through the Expected Credit Loss (ECL) approach is carried out on the basis of the allocation of each relationship in the three reference stages as explained in more detail in the paragraph *"Impairment losses on financial assets".*

Equity instruments are not tested for impairment.

Derecognition criteria

Financial assets measured at fair value through other comprehensive income are derecognised only when the dismissal entailed the transfer of all the risks and benefits associated with the assets. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised in the financial statements, even though their legal title has actually been transferred.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

Recognition criteria of Income Statement items

Interest income on debt securities, loans and receivables - calculated using the effective interest rate - is recognized in the income statement on an accrual basis. For these instruments, the effects of impairment and any changes in exchange rates are also recognized in the income statement, while other gains or losses arising from fair value changes are recognized in a specific equity reserve.

For debt securities only, at the time of partial or total disposal, the profit or loss accrued in the valuation reserve is reversed, wholly or in part, to the income statement (“recycling”).

With respect to equity instruments, dividends are the only component to be recognized in the income statement. Dividends are recognized in the income statement only when (par. 5.7.1A of IFRS 9):

- the entity's right to receive payment of the dividends is established;
- it is likely that the economic benefits attributable to the dividend will flow to the entity; and
- the amount of the dividend can be reliably estimated.

Normally these conditions occur upon collection of the dividend following the shareholders' resolution of the investee company to approve the financial statements and the allocation of the result for the year.

For equity securities, the changes in fair value are recognized as a contra-entry in equity and must not subsequently be transferred to profit or loss regardless of realization ("no recycling").

3 – FINANCIAL ASSETS MEASURED AT AMORTISED COST

Classification criteria

Assets measured at amortised cost include financial assets (specifically loans and debt securities) jointly satisfying the following conditions:

- the financial asset is held according to a business model whose objective is achieved through the collection of contractual cash flows ("Hold to Collect” Business Model), and
- the contractual terms of the financial asset envisage cash flows on certain dates consisting solely of payments of principal and of interest on the outstanding principal (“SPPI test” passed).

More specifically, the following elements are recognized in this item:

- loans to banks in the various technical forms that meet the above requirements. Included in this category are operating loans associated with the provision of financial assets and services as defined by the T.U.B. (consolidated Law on Banking) and the T.U.F. (consolidated Finance Law) (for example for the distribution of financial products). Also included are receivables from Central Banks (for example, mandatory reserve), different from the sight deposits posted to “10.Cash and cash equivalents”;
- loans to customers in the various technical forms that meet the above requirements;Also included are receivables from Post Offices and Cassa Depositi e Prestiti, variation margins with clearing houses arising from derivative transactions and operating loans linked to the provision of financial services and activities as defined by the Consolidated Banking Act and the Consolidated Finance Act (e.g, *servicing*).
- debt securities that meet the above requirements.

According to the general rules established by IFRS 9 regarding the reclassification of financial assets, reclassifications to other categories of financial assets are not allowed unless the entity changes its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories required by IFRS 9 (Financial assets measured at fair value through other comprehensive income or Financial assets measured at fair value through profit or loss). They are transferred at their fair value at the time of reclassification and the effects of the reclassification apply prospectively starting as of the reclassification date.

Profits or losses resulting from the difference between the amortized cost of the financial asset and the related fair value are recognized in the income statement in the event of reclassification into the category of Financial assets measured at fair value through profit or loss and in shareholders' equity, in the specific valuation reserve, in the event of reclassification into the category of Financial assets measured at fair value through on comprehensive income.

Recognition criteria

Financial assets are initially recognised at the settling date for debt instruments and at the disbursement date for loans. Upon initial recognition, assets are stated at fair value, including transaction costs or income directly attributable to the instrument.

Specifically concerning loans, they are initially recorded at the disbursement date according to the fair value of the loan itself. The fair value is equal to the amount disbursed (or subscription price), including costs/income directly attributable to the individual loan and determinable at origin, even where settled at a later date. Costs that - despite having the above characteristics - are repaid by the debtor or can be classified as ordinary administrative expenses are excluded.

In some cases, the financial asset is considered impaired upon initial recognition (so-called "purchased or originated impaired financial assets") for example because it has a very high credit risk and, if purchased, it is acquired at a large discount. In such cases, upon initial recognition, a correct effective interest rate is calculated for the receivable and the expected losses calculated for the entire life of the receivable are included in estimated financial flows. The aforementioned rate will be used in applying the amortized cost criterion and in the related calculation of interest to be recognized in the income statement.

Measurement criteria

After initial recognition, financial assets are measured at amortised cost using the actual interest rate method. In these terms, the asset is recognised for an amount equal to the initially recognised amount less any principal repayments, less/plus the accrued amount (calculated using the actual interest method) of the difference between initial amount and the amount at maturity (generally corresponding to income/expenses directly attributable to the individual asset) and amended for any loss coverage provision. The actual interest rate is determined by calculating the rate that equates the current value of future cash flows from the asset, for principal and interest, to the amount disbursed, including the costs/income attributable to the financial asset. This accounting method, using a financial logic, allows for the distribution of the economic effect of the costs/income directly attributable to a financial asset along its expected residual life.

The exceptions to the application of the amortized cost method concern short-term assets, assets without a defined maturity and demand loans. In such cases, the application of the amortized cost method is considered not significant, and the asset is accordingly measured at cost.

"Financial assets measured at amortized cost", both in the form of debt securities and loans and receivables, are tested for impairment in accordance with the provisions of IFRS 9. Therefore, for the aforementioned instruments a value adjustment will be recognized in the Income Statement to cover the expected losses. The estimate of the expected loss through the Expected Credit Loss (ECL) approach is carried out on the basis of the allocation of each relationship in the three reference stages as explained in more detail in the paragraph *"Impairment losses on financial assets".*

In such cases, for the purpose of calculating the amortized cost, in calculating the credit-adjusted effective interest rate for financial assets that are considered purchased or originated impaired financial assets upon initial recognition (IFRS 9 par. B5.4.7) the entity is required to include the initial expected losses on receivables in estimated cash flows B5.4.7).

If the reasons for the impairment no longer apply after the value adjustment has been made, the Bank reverses the impairment loss to the income statement. The write-back may not exceed the amortised cost of the financial instrument had no adjustment been recognised. The reversals related to the passing of time are recognized in interest margin.

Derecognition criteria

Financial assets measured at amortised cost are derecognised when the contractual rights on cash flows from the assets expire or when a financial asset is disposed of, basically transferring all the pertinent risks/benefits.

When it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are derecognised, provided that the bank has not retained any control over them. Otherwise, when even partial control is retained, assets continue to be recognised in the financial statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the assets sold and to changes in the related cash flows.

Lastly, transferred financial assets are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows, without a significant delay to third parties is assumed.

If the contractual cash flows of a financial asset are renegotiated or otherwise amended, pursuant to IFRS 9 it is necessary to assess whether the aforementioned amendments have the characteristics for a derecognition of the financial asset. More specifically, contractual changes result in derecognition of the financial asset and recognition of a new one when they are considered "material". The materiality of the change is to be assessed through a qualitative analysis of the reasons for such change. In this regard, a distinction is made between:

- renegotiations for commercial purposes with performing customers for reasons other than the debtor's financial difficulties. These are renegotiated terms granted at market conditions in order to retain customers who request the adjustment of the financial conditions of the loan to align them with those of other banking institutions. These types of contractual amendments are considered material as their purpose is to prevent a decrease in future revenues that would occur if the customer decides to move to another operator. They entail the recognition in the income statement of the differences between the book value of the derecognized financial asset and the book value of the newly recognized asset;
- renegotiations due to financial difficulties of the counterparty: they include forbearance measures granted to counterparties in financial difficulty for the purpose of maximizing the repayment of the original loan by the customer and therefore avoid or contain any future losses. For this reason, the Bank is willing to grant potentially more favourable contractual conditions to the counterparty. In these cases, as a rule, the amendment is strictly related to the debtor becoming unable to repay the originally established cash flows and, therefore, in the absence of other factors, this means that the original cash flows were not essentially cancelled such as to lead to the derecognition of the asset. Accordingly, the aforementioned renegotiations or contractual amendments can be classified as non-material. Therefore, they do not result in derecognition of the financial asset and, pursuant to par. 5.4.3 of IFRS 9, they entail the recognition in the Income Statement of the difference between the book value before the amendment and the value of the financial asset recalculated by discounting the renegotiated or amended cash flows at the original effective interest rate.

In order to assess the materiality of the contractual amendment, in addition to appreciating the reasons for the amendment, one has to assess whether there are other elements that modify the original nature of the contract as they introduce new elements of risk or have an impact that is deemed significant on the original contractual flows of the asset such as to entail its derecognition and the consequent recognition of a new financial asset. This is the case, for example, when new contractual clauses are introduced that change the reference currency of the contract, that enable the receivable to be converted/replaced into equity instruments of the debtor or which cause the SPPI test to fail.

Recognition criteria of Income Statement items

Interest generated by loans to banks and customers is recognized under item "Interest and similar income" and is recorded on an accrual basis according to the actual interest rate, i.e. by applying the latter to the gross book value of the financial asset, with the exception of.

a) impaired financial assets acquired or originated. As noted above, for these financial assets the credit-adjusted effective interest rate is applied to the amortized cost of the financial asset as of the initial recognition;
b) financial assets that are not acquired or originated impaired financial assets but have become impaired financial assets at a later stage. For these financial assets, the effective interest rate is applied to the amortized cost of the financial asset in subsequent years.

If there is an improvement in the credit risk of the financial instrument, as a result of which the financial asset is no longer impaired, and the improvement can be objectively linked to an event that occurred after application of the requirements referred to in b) above, in subsequent years, interest income is calculated by applying the effective interest rate to the gross book value.

It should be noted that the Bank applies the criterion referred to in b) above only to impaired assets that are measured individually using a specific approach. Therefore, stage 3 financial assets measured individually according to a flat-based approach are excluded and interest on these assets is calculated on the gross value of the exposure.

Impairment losses and reversals, including reversals related to the passing of time, are recognized at each Income Statement reporting date in item 130. “Net adjustments/reversals for credit risk”. Gains and losses resulting from the disposal of loans are recognized in the income statement under the item: “Profits/losses on disposal or repurchase”.

Revenue items comprising interest and income on securities are recognized in the interest items of the income statement on an accrual basis, according to the actual interest rate.

Gains and losses referred to securities are recognized in the income statement under the item: “100.Profits/losses on disposal or repurchase at the time when the assets are sold.

Any impairment of securities is recorded in the income statement under item: “130.Net adjustments to/write-backs for credit risk”. Subsequently, if the reasons that led to the recognition of the impairment loss no longer apply, the losses are reversed with entry in the same Income Statement item.

4 - HEDGING TRANSACTIONS

The Bank has no hedging derivative contracts.

5 – EQUITY INVESTMENTS

Classification criteria

The term equity investments refers to investments in the capital of other companies, generally consisting of shares or quotas, that are classified as interests in subsidiaries (control), associates (significant influence) and jointly controlled entities.

More specifically, the following definitions apply:

- Subsidiary: equity investments in companies as well as investments in entities over which the parent exercises control over the relevant assets in accordance with IFRS 10. More precisely, “an investor controls an entity when it is exposed or is entitled to variable results arising from its involvement in the entity and has the ability to influence those results through its power over the entity.” The power requires the investor to have existing rights that give them the current ability to direct the activities that significantly affect the results of the investment. Power means being able, without necessarily exercising that ability in practice. Control is verified on an ongoing basis. The investor must review its control on an entity when facts and circumstances indicate that there are changes in one or more elements of control.

  In consideration of the subsidiary’s negligent book value and balance sheet size, the Bank does not prepare consolidated financial statements.
  In this regard, it should be noted that the application of International Accounting Standards must be read with reference to the "Framework for the preparation and presentation of the financial statements" (Framework) which, in paragraphs 26 to 30, refers to the concepts of relevance and materiality of information. In particular, paragraph 26 states that *"Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations."* Paragraph 29 establishes that “*The relevance of information is affected by its nature and materiality*” Finally, paragraph 30 specifies that materiality *" provides a threshold or cut-off point rather than being a primary qualitative characteristic which*

information must have if it is to be useful". In this sense, it is one of the prerogatives of the directors to set this cut-off point or threshold;

- Associate: equity investments in companies for which, although the conditions for control do not exist, the Bank, directly or indirectly, is able to exercise significant influence, being it able to take part in the investee's financial and management policies determination. This influence is presumed (relative presumption) to exist for companies in which the Bank owns at least 20.00% of the voting rights or in which it has the power to participate in the determination of financial and management policies by virtue of particular legal relations;

- Joint ventures: equity investment in companies through a joint control where the parties who hold joint control have rights to the net assets of the arrangement.

Recognition criteria

Equity investments are initially recorded at cost, including any directly attributable ancillary charges.

Measurement criteria

Equity investments in subsidiaries, associates and jointly controlled entities are shown in the financial statements using the cost method as measurement criterion, net of any impairment losses.

If there is objective evidence of an impairment, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the proceeds from final disposal. If the recoverable value is lower than the book value, any impairment is recognised in the income statement under item "Profits (loss) on equity investments". If the reasons for impairment cease to exist due to an event occurring after the impairment was recognised, the impairment loss is reversed and the reversal is recognised on the income statement.

Derecognition criteria

Equity investments are derecognised when the right to receive the cash flows from the assets has expired or when the investment is sold and all the risks and benefits connected thereto are transferred.

Recognition criteria of Income Statement items

Dividends from investee companies are accounted for in the item "Dividends and similar income". Dividends are recognized in the income statement only when (par. 5.7.1A of IFRS 9):

- the entity's right to receive payment of the dividends is established;
- it is likely that the economic benefits attributable to the dividend will flow to the entity; and
- the amount of the dividend can be reliably estimated.

Normally these conditions occur upon collection of the dividend following the shareholders' resolution of the investee company to approve the financial statements and the allocation of the result for the year.
Any impairment loss/reversal related to the valuation of equity investments as well as any gains or losses on disposal are booked to the item '220. Profits (Losses) on Investments'.

6 – PROPERTY, LAND AND EQUIPMENT

Classification criteria

This item mainly includes land, operating and investment properties, plants, vehicles, furniture, fittings and equipment of any type and of a durable nature.

According to IAS 16, 'operating properties' are the assets owned to be used for service provision or for administrative purposes.

As required by IAS 40, investment properties include property held to earn rental income or for capital appreciation, or for the appreciation of the invested capital.

The item also includes tangible assets classified on the basis of IAS 2 - Inventories, which refer both to assets obtained through the enforcement of guarantees or the purchase at auction which the company intends to sell in the near future, without any significant restructuring works, and which do not meet the conditions for classification in the above categories, and the real estate portfolio comprising building areas, properties under construction, completed properties for sale and real estate development projects, held with a view to divestment.

Lastly, the item includes the rights of use acquired through leases and relating to the use of a tangible asset (for lessees), the assets leased under operating leases (for lessors), as well as improvements and incremental expenses on third party assets, as long as they pertain to identifiable and separable tangible assets.

Recognition criteria

Tangible assets are initially recorded at acquisition or construction cost, which includes any incidental costs directly attributable to the purchase and incurred to make the asset operative.

Extraordinary maintenance expenses and the cost of improvements that result in an increase in the asset-generated future benefits - when identifiable and separable - are attributed to the asset they refer to and depreciated over the remaining useful life of such assets. If these improvements are not identifiable and separable, they are recognised as "Other assets" and subsequently depreciated over the term of the contracts to which they relate in the case of third-party assets or over the residual life of the asset if owned.

Conversely, the costs for repairs, maintenance or other work carried out to ensure the normal operation of the assets are charged to the Income Statement as incurred.

Under IFRS 16, leases are accounted for according to the "right of use" model whereby, at the initial date, the lessee has a financial obligation to make payments to the lessor as consideration for his right to use the underlying asset for the entire term of the lease. When the asset is first made available for use to the lessee (initial date), the lessee recognizes both the liability and the asset consisting of the right of use.

More specifically, the right of use acquired through a lease is the sum of the present value of future lease payments due for the term of the contract, of the leasing payments paid on or before the effective date of the lease, of any incentives received, of initial direct costs and of any estimated costs for the dismantling or restoration of the leased asset.

Measurement criteria

After initial recognition, property, plant and equipment, including investment properties, except as specified below, are measured at cost net of accumulated depreciation and any accumulated impairment losses, in compliance with the cost model. Buildings held as investments are measured at fair value.

Property, plant and equipment are systematically depreciated in every FY over their useful life using the straight-line method. Buildings are depreciated to the extent deemed suitable to represent their deterioration over time following use, taking account of the extraordinary maintenance expenses that increase the value of the assets.

Vice versa, the following assets are not subject to depreciation:

- land, whether purchased separately or incorporated in the value of the buildings, as it is deemed to have an indefinite useful life. If the value of the land is included in that of the building, only entire buildings can be accounted for separately from the building; the allocation between the value of the land and the value of the building is carried out on the basis of independent expert appraisals;
- works of art, the useful life of which cannot be estimated and whose value usually increases over time;
- properties held for investment which, as required by IAS 40, are measured at fair value through profit or loss and must not be depreciated;
- inventories of tangible assets in compliance with IAS 2;
- tangible assets classified as held for sale in accordance with IFRS 5.

The depreciation process begins when the asset becomes available for use. For assets acquired during the FY, depreciation is calculated on a daily basis starting from the date when the asset became operational.

At each reporting date, the Bank verifies if there are any indications of impairment of the asset. The impairment loss is determined by comparing the carrying value of the tangible asset and the lower recoverable value.

The latter is the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Adjustments are recorded in the income statement under item “Net value adjustments/reversals on tangible assets”.

When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

With reference to the tangible assets recognized in accordance with IAS 2, these are valued at the lower of cost and net realizable value, it being understood that a comparison is made between the carrying amount of the asset and its recovery value where there is some indication that the asset may have suffered an impairment. Any adjustments are recognised in the Income Statement.

With regard to the right of use asset, accounted for on the basis of IFRS 16, it is measured using the cost model according to IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated and tested for impairment if there is evidence of impairment.

Derecognition criteria

Tangible assets are derecognized upon disposal or decomissioning and, consequently, no future economic benefits are expected from their sale or use.

Capital gains and losses on the sale or disposal of tangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset; they are recognized in the income statement on the same date in which the assets are derecognized.

Recognition criteria of Income Statement items

The straight-line depreciation is recorded in the income statement under item 180.‘Net adjustments to/write-backs on tangible assets’.

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used.

Assets subject to depreciation are adjusted for impairment each time events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for an amount corresponding to the excess of the book value over recoverable value. The recoverable value of an asset is equal to the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Any adjustments are recognised in the Income Statement.

When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

The item 250. ‘Profit (loss) on disposal of investments’ contains the net positive or negative balance between gains and losses on the sale of investments.

7 – INTANGIBLE ASSETS

Classification criteria

According to IAS 38, intangible assets are those non-monetary assets, without physical substance, which are held in order to be used over a number of years or an indefinite time, which meet the following characteristics:

- they can be identified;
- the company has control over them;
- it is likely that the future economic benefits attributable to the asset will flow to the company;
- the cost of the asset can be measured reliably.

In the absence of any of the above characteristics, the cost to acquire the asset or generate it internally is recognized as an expense when it is incurred.

Intangible assets may include the rights of use acquired through leases and relating to the use of an intangible asset (for lessees) and the assets leased under operating leases (for lessors).

Intangible assets are recognised as such if they are identifiable and when they arise from legal or contractual rights. Intangible assets also include goodwill, which represents the positive difference between the purchase price and the fair value of assets and liabilities acquired within business combination transactions.

Recognition criteria

Intangible assets are stated at cost, adjusted by any incidental charges, incurred to render the asset usable, only when the future economic benefits attributable to the assets are likely to be realised and if the cost of the asset can be measured reliably. Otherwise, the cost of the tangible asset is recognized in the income statement as incurred.

Specifically, intangible assets include:

- technology-based intangible assets, such as internally generated software, which are amortized based on their expected technological obsolescence and in any case no later than a maximum period of seven years; in particular, the costs incurred internally for the development of software projects are intangible assets and are recorded in assets only if all the following conditions are met: i) the cost attributable to the development activity can be reliably determined, ii) there is an intention, the availability of financial resources and the technical capacity to make the asset available for use or for sale, iii) it can be demonstrated that the asset is able to generate future economic benefits. Capitalized software development costs are amortized systematically over the estimated life of the relevant product / service in order to reflect the ways in which the future economic benefits resulting from the asset are expected to be consumed by the entity from the beginning of production over the estimated life of the product.

Measurement criteria

After initial recognition, intangible assets with a "finite" life are measured at cost, less accumulated amortization and accumulated impairment losses. Assets with an indefinite useful life are not subject to straight-line amortisation but to a periodic test to verify the adequacy of the relevant book value.

The amortization process begins when the asset is available for use, i.e. when it is in place and in suitable condition to function as specified and ceases when the asset is derecognised.

Intangible assets are amortised on a straight line basis, in order to reflect the long-term use of the assets on the basis of their estimated useful life.

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used. For assets sold and/or disposed of during the year, amortisation is calculated on a daily basis until the date of sale and/or disposal.

At the end of each annual or interim reporting period, if there is evidence of impairment, the asset's recoverable value is estimated. The amount of the loss, which is recognised in the income statement, corresponds to the difference between the asset's carrying amount and its recoverable amount.

Derecognition criteria

Intangible assets are written off from the balance sheet upon disposal or when no future economic benefits are expected. Capital gains and losses on the sale or disposal of intangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset and are recognized in the income statement.

Recognition criteria of Income Statement items

In the first year, depreciation/amortisation is recognized in proportion to the actual period in which the asset was used.

The item 190. 'Net value adjustments/reversals on intangible assets' shows the positive or negative balance between impairment losses, amortization and reversals relating to intangible assets. The item 250. 'Profit (loss) on disposal of investments' contains the net positive or negative balance between gains and losses on the sale of investments.

8- NON-CURRENT ASSETS AND DISPOSAL GROUPS

Classification criteria

This item includes non-current assets held for sale and groups of assets and associated liabilities held for disposal, in accordance with IFRS 5.

This item includes assets and groups of assets for which the book value will be recovered mainly through a highly probable sale rather than through their continuous use.

In order for a non-current asset or disposal group to be recovered through a sale, two conditions must be met:

- the asset must be available for immediate sale in its current condition, subject to conditions that are customary for the sale of such assets (or disposal groups);
- the sale of the non-current asset (or disposal group) is highly probable.

In order for a sale to be highly probable, the Management at an adequate level must have engaged in a programme for the disposal of the asset, and activities must have been started to identify a buyer and complete the programme. Furthermore, the asset must be actively traded on the market and offered for sale, at a reasonable price compared to its current fair value. Completion of the sale should be scheduled within one year from the date of classification and the actions required to complete the sale programme should demonstrate that it is unlikely that the programme can be significantly modified or cancelled.

Non-current assets held for sale and disposal groups, as well as "discontinued operations", and the related liabilities are shown in specific asset ("Non-current assets held for sale and disposal groups") and liability ("Liabilities associated with assets held for sale") items.

Recognition criteria

Non-current assets and disposal groups are initially carried at the lower between book value and fair value, net of sales costs. As an exception, a different treatment applies to some types of assets (e.g. financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

Measurement criteria

After initial recognition, non-current assets and disposal groups are still measured at the lower of book value and fair value, net of sale costs, with the exception of certain types of assets (for example, financial assets falling within the scope of application of IFRS 9) for which IFRS 5 specifically provides that the measurement criteria of the relevant accounting standard must be applied.

If the assets held for sale are depreciable, the depreciation process is interrupted when the asset is classified as non-current asset held for sale.

Derecognition criteria

Non-current assets and disposal groups are written off from the balance sheet upon disposal.

If an asset (or disposal group) classified as held for sale does no longer meets the recognition criteria pursuant to IFRS 5, the asset (or disposal group) must no longer be classified as held for the sale.

A non-current asset that is no longer classified as held for sale (or is no longer part of a disposal group classified as held for sale) must be measured at the lower of:

- book value before the asset (or disposal group) was classified as held for sale, adjusted for all depreciation charges, write-downs or reversals that would otherwise have been recognized if the asset (or disposal group) had not been classified as held for sale;
- its recoverable value at the date of subsequent decision not to sell.

Recognition criteria of Income Statement items

The income and expenses, the valuation gains or losses and the gains/losses on disposal (net of the tax effect) attributable to disposal groups or recognized as such during the year, are shown in the relevant income statement item 290 "After-tax profit (loss) on disposal groups".

9 - CURRENT AND DEFERRED TAXES

These items include current and deferred tax assets and liabilities recognised in application of IAS 12.

Income taxes, calculated in compliance with current tax legislation, are recognized in the income statement based on the accrual principle, consistent with the recognition of costs and revenues that generated them, with the exception of those relating to items directly debited or credited to shareholders' equity, for which the related taxation is recognized, for consistency, in equity.

1. Current taxes

Current tax assets and liabilities are recognized for the amounts due or recoverable with respect to the taxable income (loss) for the year, by applying the tax rates and the laws in force. Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the balance sheet.

If an excess payment has been made, which has given rise to a recoverable amount, this is recorded under the 'Current tax assets' in the Balance Sheet.

In accordance with IAS 12, the Bank offsets current tax assets and liabilities if, and only if:
a) it has an enforceable right to offset the recognized amounts; and
b) it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred taxes

Deferred tax assets and liabilities are recognised using “the balance sheet liability method”, taking into account the temporary differences between the carrying amount of an asset or liability and its value recognised for tax purposes. They are calculated using the applicable tax rates according to the law in force in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

Tax assets are recognized only if it is considered probable that taxable income will be achieved in the future against which such asset can be used.

In particular, the tax legislation may lead to differences between taxable income and statutory income, which, if temporary, merely result in a time lag that involves the early or deferred imposition of tax with respect to the period in which the tax accrues, determining a difference between the book value of a balance sheet asset or liability and its value recognized for tax purposes. These differences can be broken down into “deductible temporary differences” and “Taxable temporary differences”.

Deferred tax assets

The “deductible temporary differences” indicate a future reduction in taxable income, against earlier taxation with respect to accrued tax in the statutory balance sheet. They generate deferred tax assets that will result in a lower tax burden in the future, provided that in subsequent years sufficient taxable profits are achieved to cover the realization of taxes paid in advance.

Deferred tax assets are recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which the temporary deductible difference may be used. However, the probability of recovery of deferred tax assets relating to goodwill, other intangible assets and loan adjustments is deemed as automatically confirmed as a result of legal provisions that provide for their conversion into a tax credit in the event of a statutory and/or tax loss for the year.

The conversion shall take effect as of the date of approval by the shareholders' meeting of the individual financial statements in which the loss is reported.

The difference between the greater tax income compared to statutory income is mainly due to costs that are tax deductible in years subsequent to those of recognition in the financial statements.

Deferred tax liabilities

“Taxable temporary differences” indicate a future increase in taxable income; consequently, they generate “Deferred tax liabilities”. These differences give rise to taxable amounts in years subsequent to those in which they are recognized in the statutory income statement, resulting in a deferral of taxation with respect to accrued tax in the statutory financial statements.

“Deferred tax liabilities” are recognized for all taxable temporary differences with the exception of reserves that are taxable upon distribution only, since the bank does not expect to carry out transactions that will lead to their taxation.

The difference between the lower tax income compared to statutory income is due to:
- revenues that are taxable in years subsequent to the recognition years;
- costs that are deductible in years prior to the recognition years according to statutory principles.

Deferred tax assets and liabilities are systematically reviewed to take account of any changes in the applicable laws or tax rates.

Deferred tax assets and liabilities are recognized in the balance sheet without offsetting and are recognised under item 100. “Tax assets b) deferred" and item 60. "Tax liabilities b) deferred”.

If the deferred tax assets and liabilities relate to items affecting the income statement, the contra item is represented by income taxes. When deferred tax assets and liabilities regard transactions recognised directly under equity and not through profit or loss (such as the measurement of financial assets measured at fair value through other comprehensive income), they are recognised as a contra entry in Shareholders' equity, in the specific reserve when applicable (e.g. valuation reserve).

Global minimum tax (Legislative Decree no.209 of 27 December 2023)

Amendments to IAS 12 concern:

- the introduction of a temporary exception to the requirements for recognizing deferred tax assets and liabilities relating to the Pillar Two Model Rules for entities affected by the relevant International Tax Reform immediately after the issuance of the amendments by the IASB and retroactively in accordance with IAS 8;
- the obligation to disclose the relevant additional information starting from the financial statements for financial years starting on 1 January 2023 or later.

Specifically, in this last regard when the legislation on the "second pillar" is in force or substantially in force but has not yet become effective, the entity must provide known or reasonably estimable information helping the financial statements' users to understand the exposure to second pillar income taxes determined by the aforementioned legislation.

10 - PROVISIONS FOR LIABILITIES AND CHARGES

Classification criteria

Pursuant to IAS 37, provisions for liabilities and charges include provisions for current obligations (legal or constructive) arising from a past event, for which the use of economic resources is likely in order to settle the obligation, provided that the related amount can be reliably estimated.

No provision is recognized for liabilities that are merely potential and not likely, for which information is however provided in the notes, except in cases where the probability of using resources is remote or the amount is not significant.

Recognition criteria

This item includes:

- "Provisions for credit risk related to commitments and financial guarantees granted": the Bank recognizes the value of total provisions for credit risk in relation to commitments to disburse funds and financial guarantees granted that fall within the scope of application of the impairment rules of IFRS 9 (see IFRS 9, para. 2.1, letter e); paragraph 5.5; Appendix A), including financial guarantees given and commitments to disburse funds that are measured upon initial recognition net of total revenues recognized in accordance with IFRS 15;
- "Provisions on other commitments and other guarantees granted": the Bank recognizes the value of total provisions in relation to other commitments and other guarantees granted which, owing to their peculiarities, are not subject to the IFRS 9 impairment rules (see IFRS 9, paragraph 2.1, e) and g));
- "Provisions for retirement benefits and similar obligations": they include provisions for the benefits paid to employees after the end of the employment relationship in the form of defined-contribution or defined-benefit plans;
- "Other provisions for liabilities and charges": this item includes other provisions for liabilities and charges set aside in accordance with international accounting standards (e.g. personnel costs, tax disputes). In particular, they include provisions for legal obligations or provisions related to employment relationships or disputes, including tax disputes, originating from a past event for which a financial outlay is probable in order to fulfil said obligations, provided that a reliable estimate can be made of the relevant amount.

Therefore, a provision is recognised if and only if:
- there is an obligation (legal or implicit) in course as a consequence of a past event;
- the utilisation of resources for economic benefits is likely to be used to comply with the obligation; and
- a reliable estimate of the obligation amount deriving from the fulfilment can be made.

Measurement criteria

The amount recognized as a provision reflects the best possible estimate of the costs to be incurred in order to discharge the existing obligation at the reporting date and reflects risks and uncertainties that inevitably characterize numerous facts and circumstances.

Where the time element is significant, provisions are discounted using current market rates.

Provisions are periodically reviewed and adjusted to reflect the current best estimate. When as a result of the review, the occurrence of the cost becomes improbable, the provision is reversed.

Derecognition criteria

The provision must be reversed when it is unlikely that resources that can produce economic benefits are to be used in order to comply with the obligation. A provision should be used only for those expenses for which it was recognised.

Recognition criteria of Income Statement items

The allowance is recorded in the income statement under item 170.“Net allowances to provisions for liabilities and charges”.

The item shows the balance, positive or negative, between the provisions made and any release to the income statement of provisions considered to be in excess.

Net allocations also include the decrease in provisions due to the discounting effect and the corresponding increases due to the passage of time (accrual of interest inherent in discounting).

11 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Classification criteria

Financial liabilities measured at amortized cost fall within the broader category of financial instruments and consist of relationships for which there is an obligation to pay certain amounts to third parties at certain due dates.

Payables to banks, payables to customers and outstanding securities include the various forms of interbank funding, funding from customers and fundraising made through certificates of deposit and bonds outstanding, net of any repurchased amounts, not classified among “Financial liabilities designated at fair value”. They include securities expired but not yet reimbursed as at the reporting date.

The payables recognized by the entity as lessee in lease transactions are also included.

Recognition criteria

Financial liabilities are initially recognised on receipt of the money raised or issue of debt securities. The value at which they are recorded corresponds to their fair value, which is normally the amount collected or the issue price, plus any additional costs/income directly attributable to individual funding or issue transactions and not reimbursed by the creditor. This item does not include internal administrative expenses.

The fair value of any financial liabilities issued at different conditions than those available on the market is specifically estimated and the difference on the amount collected is recognised, when applicable, in the income statement.

Repurchased derecognised securities placed back on the market are considered as a new issue and are recognised at the new issue price, with no effect on the income statement.

Lease payables are recognized at the present value of future lease payments, discounted using the implicit interest rate of the transaction or, if this cannot be determined, using the incremental borrowing rate.

Measurement criteria

After initial recognition, carried at fair value at the date the contract was entered into, financial liabilities are measured at amortised cost using the actual interest rate method.

Short-term liabilities, for which the time factor is negligible, are excluded from this method and are recognised at the amount collected; any costs and income directly attributable to the transaction are recognised in the Income Statement under their pertinent items.

Derecognition criteria

Financial liabilities are derecognised when they are discharged or expired, or when the Bank redeems issued securities with subsequent restatement of the debt recognized for outstanding securities.

Recognition criteria of Income Statement items

Cost items consisting of interest expense are recognized in the interest items of the income statement on an accrual basis.

Any difference between the repurchase value of own securities and the corresponding carrying amount of the liability is recognized in the Income Statement under item 100 "Profits (losses) on disposal or repurchase of: c) Financial liabilities."

12 - FINANCIAL LIABILITIES HELD FOR TRADING

Classification criteria

There are no financial liabilities held for trading in the financial statements.

13 – FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

There are no financial liabilities measured at fair value in the financial statements.

14 – TRANSACTIONS IN FOREIGN CURRENCIES

Classification criteria

Assets and liabilities in foreign currency include not only those explicitly denominated in a currency other than the Euro, but also those with financial indexation clauses linked to the Euro exchange rate against a specific currency or against a specific basket of currencies.

For the purposes of translating foreign currency assets and liabilities, they are broken down into monetary items (classified as current items) and non-monetary items (classified as non-current items).

Monetary items include cash on hand and assets and liabilities to be received or paid in a fixed or determinable amount of money. Non-monetary items are characterized by the absence of a right to receive or an obligation to pay a fixed or determinable amount of money.

Recognition criteria

Upon initial recognition, foreign currency transactions are recorded in the reporting currency, converting the foreign currency amount using the exchange rate applicable at the transaction date.

Measurement criteria

At each reporting or interim date, any element originally denominated in foreign currency is valued as follows:

- monetary items are converted using the reporting rate;
- non-monetary items measured at historical cost are converted using the rate applicable at the transaction date;
- non-monetary items measured at fair value are converted using the spot exchange rate at the reporting date.

Recognition criteria of Income Statement items

For monetary items, the exchange differences arising between the transaction date and the date of payment, are recognized in the income statement for the period, like those arising from the translation of monetary items at rates other than those of initial translation or of translation at the previous reporting date.

When a gain or a loss relating to a monetary item is recognised in equity, the exchange difference relating to that element is also recorded in shareholders' equity.

When a gain or a loss is recognised in the income statement, the related exchange difference is recorded in the income statement too.

15 – OTHER INFORMATION

15.1 Employee severance indemnity

The Employee Severance Indemnity (TFR) is similar to a post employment benefit falling under the category of defined benefit plans, the value of which has to be determined using actuarial methods in accordance with IAS 19.

In accordance with Law no. 296 of 27 December 2006 (2007 Budget Act), companies with a minimum of 50 employees are obliged to pay on a monthly basis – and in accordance with the employee's wishes – the Employee Severance Indemnity accrued after 1 January 2007 to the supplementary pension schemes as per Legislative Decree 252/05 or to a special Fund managed by INPS for the payment of employee severance indemnity to private sector employees pursuant to article 2120 of the Italian Civil Code (hereinafter the Treasury Fund).

The following options are therefore available:

a) the severance indemnity being accrued is paid to supplementary pension schemes;
b) the severance indemnity being accrued is kept in the company (for companies with less than 50 employees);
c) the severance indemnity being accrued is transferred to INPS Treasury Fund (for those who, despite having chosen not to allocate the severance indemnity to supplementary pension schemes, work in companies with at least 50 employees).

In the cases referred to in b), which specifically apply to the bank, the total severance indemnity liability shall be assessed pursuant to IAS; the actuarial valuation shall be carried out according to the usual criteria set out in IAS 19, except for the exclusion of the pro rata relating to employees who decided to transfer their entire accrued amount to supplementary pension schemes, in order to preserve methodological consistency as indicated by the Board of Actuaries with regard to other pension schemes.

The Employee severance indemnity (TFR) is recognised on the basis of its actuarial value.

The actuarial estimate of the employee severance indemnity is carried out on the basis of "benefits accrued" pursuant to the Projected Unit Credit criterion, as provided for in paragraphs 67-69 of IAS 19.

The calculation method is summarised below:

- projection of allocated employee severance indemnity for each employee and of future employee severance indemnity payments matured until the time of payment, based on the valuation date, the estimates being based on the employee's salary;
- determination of estimate employee severance indemnity payments, for each employee, which must be made by the Company in the event of the termination of an employee’s contract due to dismissal, resignation, incapacity, death and retirement and in the event of advance payment requests;
- discounting, at the valuation date, of each payment estimate;
- recalculation, for each employee, of estimated length of service and discounting based on seniority matured at the valuation date in respect of overall seniority corresponding to the as yet undetermined payment date.

The employee severance indemnity was assessed by an independent actuary in accordance with the method specified above.

The cost for the severance indemnity accrued during the year and recognised in the income statement as staff costs is the sum of the current value of employee benefits accrued during the year, and the annual interest accrued on the current value of existing liabilities at the beginning of the year. Gains or losses resulting from changes in actuarial assumptions compared to previous year estimates are charged to a separate reserve in equity.

15.2 Recognition of costs and revenue

Revenues are gross flows of economic benefits arising from the performance of the company's ordinary activities and are recognized when control of the goods or services is transferred to the customer, at an amount that reflects the consideration to which the entity deems to be entitled.

Revenue recognition takes place through a process of analysis involving the following steps:

- identification of the contract, defined as an agreement in which the parties have undertaken to perform their respective obligations;
- identification of each performance obligation contained in the contract;
- determination of the transaction price, i.e. the expected consideration for the transfer of the goods or services to the customer;
- allocation of the transaction price to each 'performance obligation', based on the selling prices of the individual obligation;
- recognition of revenue when (or gradually as) the obligation to perform is completed by transferring the promised good or service to the customer.

That being said, the recognition of revenue may take place:

a) at a specific moment, when the entity fulfils the obligation to perform by transferring the promised good or service to the customer, or

b) over time, as the entity fulfils the obligation to perform by transferring the promised good or service to the customer.

With reference to the above point b), a "performance obligation" is satisfied over a period of time if at least one of the following conditions is met:

- the customer controls the asset under the contract when it is created or improved;
- the customer receives and simultaneously consumes the benefits when the entity performs its services;
- through its activity the company generates a personalized good for the customer and the company has a right to payment for the activity completed at the date the good is transferred.

If none of the criteria is met, then the revenue is recognized at a specific point.

The indicators of a transfer of control are: i) obligation to pay ii) legal title of the right to the consideration accrued iii) physical possession of the good iv) transfer of risks and benefits associated with ownership v) acceptance of the good.

With regard to revenues achieved over a period of time, the Bank accounts for them on a time basis. In relation to the above, the main criteria adopted by the Bank are summarized below:

- interest is recognized pro rata temporis, based on the contractual interest rate or the effective interest rate if the amortized cost is applied;
- default interest, if contractually provided, is recognized in the income statement only when actually collected;
- dividends are recognized in the income statement in the period in which their distribution is approved, which coincides with collection;
- commissions for service revenues are recognized on the basis of existing contractual agreements in the period in which the services were provided;

Revenue from the sale of non-financial assets is recognized upon completion of the transaction, unless most of the risks and benefits associated with the asset are retained.

Costs are recognized in the income statement according to the accrual principle; the costs incurred for the acquisition and performance of contracts with customers are recognized in the income statement in the same period of recognition as the related revenues.

15.3 Accruals and deferrals

Accruals and deferrals that include income and expenses accrued during the period on assets and liabilities are recognised as adjustments to the assets and liabilities to which they relate. Where it is not possible to attribute them to a specific account, they will be reported in "Other assets" or "Other liabilities".

15.4 Treasury shares

Any treasury shares are entered as a reduction of shareholders' equity. Likewise, their original cost and the gains or losses resulting from their subsequent sale are recognised as changes in equity.

15.5 Share-based payment

Such cases do not apply to the Bank, since it has no outstanding stock option plans on self-issued shares.

15.6 Recognition of impairment

Impairment of financial assets

Financial assets other than assets measured at fair value through profit or loss, pursuant to IFRS 9, are tested for impairment - at each reporting date - i.e they are tested to check whether there are any indicators that said assets may have been impaired ("impairment indicators").

If such indicators exist, the financial asset in question is considered impaired (stage 3) and a value adjustment must be recognized equal to the expected losses for its entire residual life.

Financial assets for which there are no impairment indicators (stage 1 and stage 2) must be tested to check whether there are any indicators that the credit risk of the individual transaction has increased significantly since initial recognition and the criteria underlying the IFRS 9 impairment model must be applied accordingly.

IFRS 9 impairment model

The scope of application of the IFRS 9 impairment model, on which the requirements for the calculation of provisions are based, includes financial instruments such as debt securities, loans, trade receivables, contract assets and receivables originating from lease transactions, recognized at amortized cost or at fair value through comprehensive Income as well as off-balance sheet exposures (financial guarantees and commitments to disburse funds).

The above-mentioned model is characterized by a forward-looking vision and, in certain circumstances, it may require the immediate recognition of all expected losses during the life of a loan. However, the estimate must be continuously adjusted also considering the counterparty's credit risk. For the purpose of this estimate, the impairment model must consider not only past and current data, but also information relating to future events.

For credit exposures falling within the scope of application of the impairment model the standard provides for the allocation of each exposure into one of the 3 stages listed below:

- in stage 1, loans not showing a significant credit risk at the assessment date or identifiable as Low Credit Risk;
- in stage 2, loans showing a significant credit risk at the assessment date or not being identifiable as Low Credit Risk;
- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

Specifically, the Bank has provided for the allocation of the individual on- and off-balance sheet credit exposures in one of the 3 stages listed below based on the following criteria:

- in stage 1, exposures with generation date prior than three months as of the measurement date or that do not have any of the characteristics described in the following paragraph;
- in stage 2, positions showing a significant increase in credit risk at the reporting date:
  - exposures for which there has been an increase in "PD" since origination that exceeds certain thresholds calculated using the regression line;
  - Accounts that at the valuation date were classified as performing but on the watch list;
  - presence of the 'Forborne performing' attribute;
  - presence of exposures that are past due and/or overdrawn for more than 30 days;
  - exposures (with no 'lifetime PD' on the date of disbursement) that do not have the characteristics to be identified as 'Low Credit Risk' (as described below) at the measurement date;
- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

Performing exposures that had both the following characteristics at the measurement date are considered as 'Low Credit Risk':

- there is no "Lifetime PD" on the date of disbursement;
- low risk class (class 5 for Individuals, class 3 for POE (small economic operators), class 4 for Small Business and Undertakings).

Exposures are automatically allocated to the stages envisaged by IFRS 9 according to the criteria defined above.

The estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss is calculated over a 1 year's time horizon;
- stage 2: the expected loss is calculated considering all the losses that are expected to be sustained during the entire life of the financial asset ("lifetime expected loss");
- stage 3: the expected loss must be calculated on a lifetime perspective but, unlikely the positions in stage 2, the calculation of the lifetime expected loss will be of an analytical nature. Furthermore, where appropriate, forward-looking elements will be introduced in the measurement of the aforementioned positions, including in particular different scenarios (for example, disposal) weighted by the associated probability of occurrence. More specifically, when estimating the recovery value of positions (especially those classified as non-performing), the inclusion of a sale scenario, as an alternative to an internal management scenario, normally involves the recognition of greater value adjustments due to the application of disposal prices weighted for the relative probability of occurrence of the sale scenario. For exposures classified as non-performing or unlikely to pay of an amount lower than € 30,000, for past due and / or overdrawn impaired exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using an individual-flat rate method.

With specific regard to loans to banks, the Bank has adopted a slightly different model for determining a significant increase in credit risk compared to that applied to loans to customers, although the stage allocation logic adopted for loans to banks has been defined in a way that is as consistent as possible with the logic implemented for loans to customers.

In more detail, with regard to loans to banks, "Low Credit Risk" relationships refer to performing loans with the following characteristics at the measurement date:

- there is no "Lifetime PD" on the date of disbursement;
- PD Point in Time lower than 0.3%.

Interbank exposures are automatically allocated to the stages envisaged by IFRS 9 according to the criteria defined above. Given the foregoing, for loans to banks, the Bank had adopted an IFRS 9 impairment model specifically developed for the specific type of counterparty and therefore different from the model used for loans to customers.

For loans to bancks too, the estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:

- stage 1: the expected loss is calculated over a 12 months' time horizon;
- stage 2: the expected loss is measured over a time horizon that spans the entire life of the exposure until maturity (LEL, 'Lifetime Expected Loss');
- stage 3: the expected loss must be calculated on a lifetime perspective but, unlike the positions in stage 2, the calculation of the lifetime expected loss will be of an analytical nature.

The Probability of Default (PD) and Exposure at Default (EAD) risk parameters are calculated based upon the impairment model.

The LGD parameter is prudentially set at the regulatory level of 45% under the IRB Foundation model, for portfolios composed of risk assets other than subordinated and secured instruments.

With respect to the securities portfolio, the same approach used for loans is confirmed, i.e. the allocation of the securities in one of the three stages envisaged by IFRS 9, which correspond to three different calculation methods for expected losses.

In stage 1 the expected loss is measured over a one-year time horizon, therefore with a 12-month probability of default.

The the first stage of creditworthiness includes the following securities:
- at the time of purchase, regardless of their level of risk;
- securities with no significant increase in credit risk at the measurement date compared to the time of purchase;
- securities with a significant decrease in credit risk.

In stage 2 the ECL is calculated using the lifetime probability of default. This stage also includes securities that have the following characteristics:

- at the measurement date the instrument shows an increase in credit risk with respect to the purchase date such as to require recognition of an expected loss until maturity;
- instruments that migrate back from stage 3 due to a significant decrease in risk.

The third and final stage includes exposures for which the ECL is calculated using a 100% probability of default.

The decision to place the instruments in stage 1 or stage 2 is linked the quantification of the thresholds that identify a significant increase in the credit risk of the individual tranche being measured. These thresholds are calculated based on the characteristics of the portfolio. With regard to stage 3, the increase in risk is analysed to assess whether it was so high compared to initial recognition that the asset should be considered as impaired, i.e. whether events have occurred that will adversely affect future cash flows. As mentioned above, the Bank will have to recognize an incremental loss from stage 1 to stage 3. Specifically:
- the 12-month ECL is the expected value of the estimated loss on an annual basis;
- the lifetime ECL is the estimated expected loss of the instrument until maturity;
- the ECL estimation parameters are the probability of default, the 'Loss Given Default' and the 'Exposure at Default' of the individual tranche (PD, LGD, EAD).

For more details about the methods used by the Bank for measuring expected losses, please refer to Section E - Section 1 Credit Risk - paragraph 2.3.

Analytical impairment of stage 3 loans

With regard to individually-assessed loans, the model used by the Bank to determine the provisions for impaired loans (stage 3) measured at amortized cost requires that they be measured trough either a specific individual approach or a flat-based individual approach depending on their characteristics.

In the specific individual approach, the objective is to determine the correct quantification of the provisions for each loan, considering both the characteristics of the individual loan to be assessed and the characteristics of the relevant counterparty.

In the flat-rate individual approach the objective is to determine the correct quantification of the provisions for each loan through an estimate of risk parameters defined by a statistical model, consistent with the collective assessment of performing exposures with respect to stage 2 credit exposures.

The flat-rate individual assessment applies to credit exposures with the following characteristics:
- impaired past due and/or overdrawn exposures;

- impaired off-balance sheet exposures (e.g. guarantees, margins available on credit lines);
- balance-sheet exposures classified as unlikely to pay that do not exceed a threshold amount defined for each debtor ("threshold amount");
- balance-sheet exposures classified as non-performing that do not exceed the threshold amount.

The specific individual assessment applies to credit exposures with the following characteristics:

- balance-sheet exposures classified as unlikely to pay that exceed the threshold amount;
- balance-sheet exposures classified as non-performing that exceed the threshold amount.

For the purpose of applying the threshold amount, the overall credit exposure of the Bank to each debtor is taken as a reference, thus determining, alternatively, a flat-rate or specific individual assessment for all balance-sheet positions in the name of the same debtor. The threshold amount for counterparties classified as unlikely to pay and non-performing is € 30,000.

Impairment of equity investments

At each reporting date, equity investments in subsidiaries or associates or jointly controlled entities are tested for impairment to verify whether there is objective evidence that the carrying value of the asset is not fully recoverable.

If there are impairment indicators (such as lower than expected economic performance of the investee, significant changes in the environment or in the market where the company conducts its activities or in market interest rates, etc.) an impairment loss is recognised to the extent that the recoverable amount of the investment is lower than its carrying amount.

The recoverable amount is represented by the greater of the fair value net of sales costs and the value in use of the equity investment. As a result, there is no need to estimate both values if one of the above has been valued higher than the book value.

For details on how fair value is calculated, see paragraph "A4 - Fair Value Reporting" of this part A.

The value in use of the equity investment is the present value of expected cash flows deriving form operations. This value responds to a general logic according to which the value of an asset directly reflects the cash flows the asset can generate over its period of use. Therefore, the determination of the value in use requires an estimate of the cash flows expected from use of the assets or from their ultimate disposal expressed in terms of present value through the application of appropriate discount rates.

If the outcome of the impairment shows that the recoverable amount is higher than the carrying amount of the investment, no impairment is recognised; otherwise, an impairment is recognised in the income statement item 220 "profits (losses) on equity investments".

If the recoverable amount subsequently proves to be higher than the new carrying amount because it can be demonstrated that the elements that led to the write-down no longer exist, a reversal of the impairment loss is permitted up to the amount of the previously recognised adjustment.

Impairment of other fixed assets

Tangible assets

Under IAS 36 an entity is required to check at least once a year whether its tangible assets show any indicators of impairment. If such indicators are found, the entity must carry out an impairment test in order to detect any impairment loss.

The impairment test does not apply to tangible assets that are:

- real estate investments measured at FV (IAS 40);

- real estate assets in inventory (IAS 2);
- assets that fall within the scope of application of IFRS 5.

The impairment indicators to be considered are those defined by par. 12 of IAS 36. In this regard, specific impairment indicators for tangible assets refer, for example, to obsolescence that prevents the normal use of the asset, such as for example fires, collapses, inoperability and other structural defects.

Although IAS 36 is applicable to individual assets, it is often very difficult, if not impossible, for tangible assets to calculate the value in use of a single asset. For example, it is not always possible to attribute specific incoming or outgoing cash flows to a corporate asset or to a plant or machinery. In these cases, IAS 36 establishes that the CGU must be identified, that is, the smallest group of assets that generates independent cash flows, and that the test must be carried out at this higher level (rather than on the single asset). This is precisely due to the fact that it is often a group of assets - and not a single asset - that generates a cash flow and for this reason it is not possible to calculate the value in use of the individual asset.

Subject to the above, the impairment test involves comparing the recoverable amount (which in turn is the higher of the value in use and the fair value less costs to sell) of the tangible asset or CGU with its carrying amount.

If and only if the recoverable amount of an asset or CGU is less than its carrying amount, the latter must be reduced to the recoverable amount, resulting in an impairment loss.

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: change in the business model, book value and interest income

(Amounts in Euros)

Type of financial instrument (1)	Portfolio of origin (2)	Portfolio of allocation (3)	Reclassification date (4)	Book value reclassified (5)	Interest income recorded in the FY (pre-tax) (6)
Debt securities	HTCS	HTC	01/07/2022	12,572,412	n.a.

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

At the reporting date, the Bank did not change its business model for the management of financial assets and, consequently, there were no transfers between portfolios of financial assets.

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

As mentioned in the previous financial statements, during 2022 the Bank's Board of Directors conducted an assessment of the activities carried out in the management of the Bank's proprietary securities portfolio, with the main objective of verifying whether the methods of managing financial assets, as defined in the relevant Policy adopted pursuant to IFRS 9, in a macroeconomic and regulatory environment significantly different from that prevailing in the first months of 2018, were still consistent with the Bank's strategic objectives.
The results of the assessment showed that owing to external factors such as changed macroeconomic conditions (pandemic environment and the outbreak of war between Ukraine and Russia), as well as the different regulatory environment, it was no longer possible to ensure consistency of the risk associated with the HTC&S portfolio with the strategic objectives of capital strengthening and stable profitability.
In light of the conclusions reached, the Bank, in reaffirming the need to maintain a particularly prudent risk profile in the management of its securities portfolio, has opted for a management strategy designed to promote medium-long term perception in the funding of its securities portfolio and to mitigate the risks of weakening capital in respect of requirements.
The analysis performed led to the consideration that the business model previously adopted by the Bank (predominantly holding proprietary securities classified in the HTC&S category) was no longer consistent with its strategic and risk objectives.
Therefore, at the board meeting of 19 May 2022, the Bank's Board of Directors decided to strategically review the management logic for all its holdings.
Specifically, according to the new management strategy of the security portfolios, the Hold To Collect & Sell (HTCS) business model will become residual compared to the Hold to Collect (HTC) business model and will be allocated to the short-term treasury business; vice versa, the HTC model will be mainly used as a category for investment purposes. The change of strategy implemented also makes the Bank's CET 1 less vulnerable to changes in securities prices, thus avoiding misalignments with planned objectives.

From an accounting perspective, the change in business model resulted in the reclassification of securities from the HTCS portfolio to the HTC portfolio on 1 July 2022 (the first day of the reporting period following the day on which the business model change took place).
This reclassification, which took place at fair value at the reclassification date, resulted in the elimination of the cumulative unrealised loss previously recognised in shareholders' equity as contra-entry to the value of the securities. Thus, as required by paragraph 5.6.5. of IFRS 9, the reclassified securities are recognised as if they had always been measured at amortised cost.

Information on the effective interest rate as determined at the reclassification date (as per IFRS 7, paragraph 12C (a)) is not relevant as it is not required for the type of reclassification that has been made.

A.4 - FAIR VALUE REPORTING

QUALITATIVE INFORMATION

IFRS 13, which harmonises the relevant measurement rules and the related disclosure, defines fair value as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or is estimated using a valuation technique.

The determination of the fair value of financial instruments is based on the Bank's going concern assumption, i.e. the assumption that it will be fully operational and it will not liquidate or significantly reduce its operations or enter into transactions at unfavourable conditions.

Therefore, the purpose of fair value is to estimate the price at which the transaction would take place between market participants at current market conditions at the measurement date.

When a price cannot be identified for an identical asset or liability, fair value is measured by applying a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

The input data should correspond to those that market participants would use in determining the price of the asset and the liability.

In order to maximize the consistency and comparability of fair value measurements and the related disclosure, IFRS 13 states that the inputs of valuation techniques employed to measure fair value are classified according to a hierarchy based on input levels, as defined in the following paragraph.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

For assets and liabilities measured at fair value on a recurring basis, for which directly observable prices in active markets are not available, the fair value has to be determined based on the "Comparable Approach" and the "Valuation Model." It should be noted that the only Bank items that are measured at fair value on a recurring basis are financial assets, as shown below in more detail.

Financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income

- *Financial instruments listed on active markets*

The fair value measurement process begins by verifying whether an active market exists from which quoted prices can be obtained regularly.

Regulated markets are usually considered as active markets except for any regulated markets that Risk Management were to identify as "not active". With reference to non-regulated markets (OTC markets) the presence of active contributors is assessed.

If, as a result of this process, the existence of an active market for the listed instruments is established, Fair Value of the instrument coincides with the price quoted on the valuation date (Mark to Market).

Given the specific liquidity prevailing on regulated markets, the official price published by the market operator is taken as the reference price.

In general, the application of the Mark to Market process based on price sources is carried out as follows:

a) for prices quoted in regulated markets, in particular in the Italian market, the price is determined on the basis of the price quoted on the Italian Stock Exchange for each financial instrument in the portfolio;

b) in the case of prices quoted in unregulated markets, the price is determined by identifying the prices quoted by other information providers.

Financial instruments recognised using the methods in point sub a) here above, are classified in Level 1 of the fair value hierarchy.

Financial instruments recognised using the methods in sub point b) here above, are classified in Level 2 of the fair value hierarchy.

➢ *Financial instruments not listed on active markets*

In the absence of an active market for a particular financial instrument, an internal valuation technique is used.

For the purposes of fair value determination, the Bank has chosen to apply the discounted cash flow method, mainly based on observable market parameters, for instruments that can be measured by discounting the related cash flows (including debt securities).

Should we consider financial instruments other than debt securities, alternative valuation techniques, also based on non-observable market parameters, shall be taken into account.

In general, through the DCF method, the fair value of financial instruments can be determined by discounting the future contractual cash flows (or those deemed most likely) at an established interest rate.

First, the interest rate risk must be taken into account; in the usual practice, reference is made to well accepted and recognised rates, such as the Euribor and/or the Swap rates. In this case, the interest rates used reflect an 'interbank' risk, which is limited, albeit usually higher than government risk. There are, however, other components besides interest rate risk that determine market risk. The premium for all these other components can be summarised in a "spread" to be added to the "Risk Free" curve, for each reference maturity, to obtain a curve that can be used to discount the future cash flows generated by the asset being measured. The Bank calculates the aforesaid "Spread" with reference to the "Credit Default Swaps" quoted for the issuer of the security in question, or, if unavailable, for other issuers of similar size and sector or industry averages.

Therefore, the elements useful for the DCF calculation are:

- Timing, maturity and amount (certain or estimated) of the instrument's future cash flows;
- Appropriate discount rate (depending on the credit risk associated with the debtor);
- Currency in which the instrument's cash flows are to be paid.

The pricing models for the fair value calculation are based on market parameters.

The main market parameters used in valuation techniques for measuring financial instruments not listed on active markets are:

- the interest rate curves;
- credit risk.

The main curves used are the Euribor rates and Swap rates curves.

The curves reflecting the issuer's creditworthiness are obtained by adding the zero-coupon yield curve (or risk-free rates) to a "Spread" that shows the issuer's creditworthiness; these curves are generally used to evaluate bonds not listed on active markets.

To this end, the operator should use the following hierarchy of information:
- credit spreads derived from Credit Default Swaps (CDS);
- curves for homogeneous sector/rating classes.

The instruments measured using the Mark to Model technique will be classified in Level 3 of the fair value hierarchy.

Equity instruments held by the Bank that are not listed on active markets and whose fair value cannot be reliably determined, are carried at cost.

Financial liabilities measured at fair value

At the date of preparation of these financial statements, the Bank held no financial liabilities measured at fair value.

A.4.2 PROCESSES AND SENSITIVITY ANALYSES

The techniques and parameters used for measuring Fair Value and the criteria for assigning the Fair Value hierarchy have been defined and formalised in a specific policy adopted by the bank; the policy governs the determination of financial instruments' Fair Value in accordance with the provisions of applicable international accounting standards IFRS issued by the International Accounting Standards Board (IASB), taking into account the interpretations issued by the Financial Reporting Interpretations Committee (IFRIC) and the provisions of Circular 262 of Banca d'Italia.

The sensitivity analysis of receivables from and payables to bank (level 2 of the Fair Value hierarchy), considering the models used to determine their Fair Value, primarily based on year-end balance-sheet data, is not relevant because it cannot be directly attributed to changes in external parameters.

The Fair Value of the portfolio of loans to customers (level 3 of the Fair Value hierarchy) is only affected by the market parameters necessary to discount the future cash flows appropriately adjusted to take account of counterparty risk.

In relation to the Fair Value of the securities portfolio (level 2 and 3), no quantitative analysis was performed on the sensitivity of the Fair Value to changes in unobservable inputs, as the Fair Value was either derived from third party sources without making any adjustment or is the result of a model with specific inputs and it is not reasonable to expect alternative values.

On the other hand, the Bank did not carry out this sensitivity analysis for its investments in equity instruments not listed on active markets; these instruments, as mentioned above, are stated at cost and written down to reflect any impairment losses, with contra entry to the income statement, which is considered the best estimate of fair value.

A.4.3 HIERARCHY OF FAIR VALUE

The Fair Value hierarchy, based on IFRS 13, must be applied to all financial instruments that are measured at Fair Value and to assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis.

In this regard, for these instruments the highest priority is given to official quoted prices in active markets and the lowest priority to the use of unobservable inputs, as they are more discretionary. As a result, Fair Value is determined by using prices obtained from financial markets, in the case of instruments quoted on active markets, or, for the other financial instruments, by using valuation techniques whose objective is to estimate Fair Value (exit price). The levels used for the classifications shown in the following notes are as follows:
- "Level 1": the Fair Value of financial instruments is determined on the basis of quoted prices observable in active markets (unadjusted) and accessible at the measurement date;

- "Level 2": the Fair Value of financial instruments is determined on the basis of quoted inputs, directly or indirectly observable for that asset or liability, also using valuation techniques;

- "Level 3": the Fair Value of financial instruments is determined on the basis of unobservable inputs for that asset or liability, including the use of valuation techniques.

A quoted price in an active market provides the most reliable evidence of Fair Value and, when available, should be used with no adjustments to measure Fair Value.

Where quoted prices in active markets are not available, financial instruments must be classified in Levels 2 or 3.

The classification in Level 2 or Level 3 is determined on the basis of the market observability of the relevant inputs used to measure Fair Value.

Level 2 inputs include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads);
- market-corroborated inputs.

All other variables used in valuation techniques that cannot be substantiated on the basis of observable market data are considered unobservable.

If the Fair Value of a financial instrument is not determined by the price recorded in an active market ("Level 1"), the total Fair Value may consist of different levels due to the impact generated by observable or unobservable inputs used in the measurements (impact is intended as the contribution, in terms of significance, that each input used in the evaluation makes to the total Fair Value of the instrument). However, the level attributed must be unique and referred to the total Fair Value of the instrument as a whole; thus, the single level assigned reflects the lowest level of input with a significant impact on the instrument's Fair Value measurement.

In order for unobservable market data to have a significant impact on the instrument's overall Fair Value measurement, their overall impact is assessed in such a way as to make the overall assessment uncertain (i.e. it cannot be ascertained through market data); in cases where the weight of unobservable data is prevalent with respect to the overall evaluation, the level assigned is "3".

Therefore, the bank classified its financial assets and liabilities in the different Fair Value levels on the basis of the following principles:
- Level 1: instrument measured at market price obtained from prices listed on active markets;
- Level 2: measurement based on prices quoted by reliable infoproviders;
- Level 3: measurement based on internal evaluation techniques.

Finally, with regard to receivables from and payables to banks, as these are entirely short-term and/or variable rate loans, Fair Value was assumed to be equal to their nominal value.

A.4.4 OTHER INFORMATION

The Bank does not hold groups of financial assets and liabilities based on its net exposure to market risk or credit risk.

There is no information to provide.

QUANTITATIVE INFORMATION

A.4.5 HIERARCHY OF FAIR VALUE

A.4.5.1 Assets and liabilities measured at Fair Value on a recurring basis: breakdown by Fair Value levels

(€/000)

	2023			2022		
Assets/liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
1. Financial assets measured at fair value through profit or loss	197	-	-	194	-	-
a) financial assets held for trading	197	-	-	194	-	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	7	2,352	-	8
3. Hedging derivatives	-	-	-	-	-	-
4. Tangible assets	-	-	-	-	-	-
5. Intangible fixed assets	-	-	-	-	-	-
Total	**197**	**-**	**7**	**2,546**	**-**	**8**
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

During the year, there were no significant transfers of assets and liabilities between Level 1 and Level 2, as defined in IFRS 13, paragraph 2. 93(c))

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3) *(€/000)*

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Tangible assets	Intangible fixed assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**
2. Increases	-	-	-	-	-	-	-	-
2.1 Purchases	-	-	-	-	-	-	-	-
2.2 Profits entered to:	-	-	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	-	-	-	-	-	-	-	-
3.1 Sales	-	-	-	-	-	-	-	-
3.2 Refunds	-	-	-	-	-	-	-	-
3.3 Losses entered to:	-	-	-	-	1	-	-	-
3.3.1 Income statement	-	-	-	-	-	-	-	-
- of which capital losses	-	-	-	-	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	1	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Final inventories	**-**	**-**	**-**	**-**	**7**	**-**	**-**	**-**

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

At the reporting date, the Bank had no liabilities measured at fair value on a recurring basis (level 3).

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

(€/000)

Assets/liabilities not measured at fair value or measured at fair value on a non-recurring basis	2023				2022			
	Book value	Level 1	Level 2	Livello3	Book value	Level 1	Level 2	Livello3
1. Financial assets measured at amortised cost	24,211	16,781	-	6,465	30,239	18,942	1,484	9,139
2. Tangible assets held as investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups	82	-	-	82	82	-	-	82
Total	**24,293**	**16,781**	**-**	**6,547**	**30,321**	**18,942**	**1,484**	**9,221**
1. Financial liabilities measured at amortised cost	33,579	-	-	33,579	43,551	-	11,762	31,789
2. Liabilities related to discontinuing operations	-	-	-	-	-	-	-	-
Total	**33,579**	**-**	**-**	**33,579**	**43,551**	**-**	**11,762**	**31,789**

A.5 – DISCLOSURE ON DAY ONE PROFIT/LOSS

This disclosure refers to the differences between the transaction price and the value obtained through the use of valuation techniques, which may arise upon initial recognition of a financial instrument and which are not immediately recognized in the Income Statement, in accordance with paragraph B5.1.2 A of IFRS 9.

Please note that during the FY the Bank did not enter into any transactions for which, at the time of initial recognition of a financial instrument, a difference had arisen between purchase price and the value of the instrument obtained through internal evaluation techniques.

Accordingly, the information required by IFRS 7, para. 28 is not provided.

PART B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown

(€/000)

	TOTAL 2023	TOTAL 2022
a) Cash	3,296	3,582
b) Current accounts and sight deposits with Central Banks	8,854	2,728
c) Current accounts and sight deposits with banks	4,618	11,167
Total	**16,768**	**17,477**

The sub-item “a) Cash” consists of holdings of coins and banknotes at the branches, ATMs and centralized vaults.

Sub-item "Current accounts and sight deposits with Central Banks" refers to deposits held with Banca d’Italia, excluding the Mandatory Reserve which is recognized in item 40 of the Assets - Financial assets measured at amortised cost - a) Receivables from banks".

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

2.1 Financial assets held for trading: commodity breakdown

(€/000)

Items/Values	TOTAL 2023			TOTAL 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-balance sheet assets						
1. Debt securities	197	-	-	194	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	197	-	-	194	-	-
2. Equity securities	-	-	-	-	-	-
3. UCIT units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**197**	**-**	**-**	**194**	**-**	**-**
B Derivative instruments						
1. Financial derivatives	-	-	-	-	-	-
1.1 trading derivatives	-	-	-	-	-	-
1.2 connected with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 connected with fair *value option*	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**197**	**-**	**-**	**194**	**-**	**-**

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

(€/000)

Items/Values	TOTAL 2023	TOTAL 2022
A. On-balance sheet assets		
1. Debt securities	197	194
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	197	194
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity securities	-	-
a) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
c) Non-financial companies	-	-
d) Other issuers	-	-
3. UCIT units	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total (A)	**197**	**194**
B. Derivative instruments		
a) Central counterparties	-	-
b) Other	-	-
Total (B)	**-**	**-**
Total (A + B)	**197**	**194**

2.3 Financial assets designated at fair value: commodity breakdown

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

At 31 December 2023 there were no financial assets designated at fair value.

2.5 Other financial assets mandatorily measured at fair value: commodity breakdown

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

At 31 December 2023 there were no Other financial assets mandatorily measured at fair value.

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

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

(€/000)

Items/Values	TOTAL 2023			TOTAL 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**-**	**-**	**-**	**2,352**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	2,352	-	-
2. Equity securities	**-**	**-**	**7**	**-**	**-**	**8**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**7**	**2,352**	**-**	**8**

At the reporting date, the portfolio of securities measured at fair value impacting the Bank's comprehensive income was exclusively made up of capital securities, specifically the shares of Banca di Credito Popolare S.c.p.A (formerly Banca Regionale di Sviluppo), whose value amounts to €7 thousand.
For this purpose, on 1 January 2023 Banca Regionale di Sviluppo ("BRS") was incorporated into Banca di Credito Popolare ("BCP") further to a deed of merger dated 23 December 2022. Therefore, the previous shares owned by the Bank in BRS, subscribed in 2016, were converted into BCP's shares according to the exchange ratio established in the deed of merger, i.e. 1 BCP's share every 30 BRS's shares.

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

(€/000)

Items/Values	TOTAL 2023	TOTAL 2022
1. Debt securities	**-**	**2,352**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	1,852
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	500
2. Equity securities	**7**	**8**
a) Banks	7	8
b) Other issuers:	-	-
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	-	-
- other	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
Total	**7**	**2,360**

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

(€/000)

	Gross value					Overall adjustments				Overall partial write-offs (*)
	First stage	of which: low credit risk instruments	Second stage	Third stage	Impaired acquired or originated	First stage	Second stage	Third stage	Impaired acquired or originated	
Debt securities	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 2023	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**
Total 2022	**2,356**	**500**	**-**	**-**	-	**4**	**-**	**-**	**-**	**-**

(*) Value to be displayed for information purposes

Section 4 – Financial assets measured at amortised cost – Item 40

4.1 Financial assets measured at amortised cost: breakdown by commodity of payables to banks

(€/000)

Transaction type/Values	TOTAL 2023						TOTAL 2022					
	Book value			Fair value			Book value			Fair value		
	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3
A. Receivables from Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Mandatory Reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Receivables from banks	**9,458**	-	-	**9,060**	**213**	-	**11,090**	-	-	**10,446**	**186**	-
1. Loans	213	-	-	-	213	-	186	-	-	-	186	-
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Term deposits	213	-	-	X	X	X	186	-	-	X	X	X
1.3 Other loans:	-	-	-	X	X	X	-	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Loans in finance lease	-	-	-	X	X	X	-	-	-	X	X	X
- Other	-	-	-	X	X	X	-	-	-	X	X	X
2. Debt securities	9,245	-	-	9,060	-	-	10,904	-	-	10,446	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	9,245	-	-	9,060	-	-	10,904	-	-	10,446	-	-
Total	**9,458**	-	-	**9,060**	**213**	-	**11,090**	-	-	**10,446**	**186**	-

Item "1.2 Term deposits" includes the amounts used to fulfil the mandatory reserve requirement, which is met via BFF Bank.
As specified in the fair value determination criteria illustrated in Part A – Accounting Policies, with reference to sub-item B.1 Loans, as these are entirely short-term and/or variable rate loans, fair value is assumed to be equal to the nominal value.

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

(€/000)

	TOTAL 2023						TOTAL 2022					
	Book value			Fair value			Book value			Fair value		
Transaction type/Values	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3	First and second stage	Third stage	Impaired acquired or originated	Level 1	Level 2	Level 3
1.Finanziamenti	**5,837**	**1,108**	**-**	**-**	**-**	**6,945**	**7,488**	**1,465**	**-**	**-**	**-**	**8,953**
1.1. Current accounts	835	98	-	X	X	X	901	144	-	X	X	X
1.2. Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
1.3. Mortgage loans	4,898	949	-	X	X	X	6,423	1,280	-	X	X	X
1.4. Credit cards, personal loans and CQ loans	92	16	-	X	X	X	144	19	-	X	X	X
1.5. Loans in finance lease	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	12	45	-	X	X	X	20	22	-	X	X	X
2. Debt securities	**7,808**	**-**	**-**	**7,721**	**-**	**-**	**10,195**	**-**	**-**	**8,496**	**1,484**	**-**
1.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Other debt securities	7,808	-	-	7,721	-	-	10,195	-	-	8,496	1,484	-
Total	**13,645**	**1,108**	**-**	**7,721**	**-**	**6,945**	**17,683**	**1,465**	**-**	**8,496**	**1,484**	**8,953**

Sub-item 1.7 “Other loans” consists of Advances on invoices subject to collection

With reference to Credit Quality, please see Part E 1– Information on risks and hedging policies, Section 1 - Credit risk.

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

(€/000)

Transaction type/Values	TOTAL 2023			TOTAL 2022		
	First and second stage	Third stage	Impaired acquired or originated	First and second stage	Third stage	Impaired acquired or originated
1. Debt securities	**7,808**	**-**	**-**	**10,195**	**-**	**-**
a) Public Administrations	3,278	-	-	3,376	-	-
d) Other financial companies	2,512	-	-	4,038	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	2,018	-	-	2,781	-	-
2. Loans to:	**5,837**	**1,108**	**-**	**7,488**	**1,465**	**-**
a) Public Administrations	-	-	-	-	-	-
d) Other financial companies	155	-	-	165	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non-financial companies	2,411	441	-	3,001	1,002	-
d) Families	3,271	667	-	4,322	463	-
Total	**13,645**	**1,108**	**-**	**17,683**	**1,465**	**-**

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

(€/000)

	Gross value					Overall adjustments				Overall partial write-offs (*) -
	First stage	of which: Low credit risk instruments	Second stage	Third stage	Impaired, acquired or originated	First stage	Second stage	Third stage	Impaired, acquired or originated	
Debt securities	17,079	-	-	-	-	26	-	-	-	-
Loans	4,490	-	1,689	2,118	-	72	57	1,010	-	176
Total 2023	**21,569**	**-**	**1,689**	**2,118**	**-**	**98**	**57**	**1,010**	**-**	**176**
Total 2022	**27,219**	**11,048**	**1,594**	**2,605**	**-**	**87**	**139**	**1,140**	**-**	**148**

(*) Value to be displayed for information purposes

The breakdown by risk stage of financial assets measured at amortised cost is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard. For further details, please refer to Part A - Accounting policies.

Section 5 – Hedging derivatives – Item 50

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d’Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to “Section 5 – Hedging derivatives – Item 50.”

Section 6 – Adjustment to financial assets subject to macro-hedging – Item 60

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d’Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to “Adjustment to financial assets subject to macro-hedging - Item 60.”

Section 7 – Equity investments – Item 70

This item includes, pursuant to IFRS 10, equity investments in the following subsidiaries:

- Promos Fintech S.R.L (year 2019)

7.1 Equity investments: information on shareholding interest

Names	Registered Office	Operational office:	Percent ownership	% availability of votes
A. 100%-owned subsidiaries				
1. Promos Fintech S.r.L.	Viale Gramsci 19-Naples	Naples	60%	-
B. Joint ventures				
C. Companies subject to significant influence				

7.2 Significant equity investments: carrying amount, fair value and dividends received

(€/000)

Names	Book value	Fair value	Dividends received
A. 100%-owned subsidiaries	**45**	-	-
1. Promos Fintech S.r.L.	45	-	-
B. Joint ventures	-	-	-
C. Companies subject to significant influence	-	-	-
Total	**45**	-	-

At 31 December 2023, the value of the investment recorded in the financial statements, for €45 thousand, is attributable to the subsidiary Promos Fintech Srl, 90% owned by the Bank, an innovative start-up incorporated in July 2019 with the aim of developing high-tech projects for the banking and financial industry.
In preparing these financial statements, the Bank proceeded to write off the value of the investment in the company Promos Corporate Srl, following the closing of the liquidation procedure, occurred at the end of 2023, which the aforementioned company was subjected to.

7.3 Significant equity investments: accounting information

(€/000)

Names	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenue	Net interest income	Adjustments to and write-backs of tangible and intangible assets	Pre-tax profit (loss) of current operations	Profit (loss) of current operations, after taxes	Profit (Loss) of disposal groups, after taxes	Profit (loss) for the year (1)	Other income items, after taxes (2)	Comprehensive income (3) = (1) + (2)
A. 100%-owned subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Promos Fintech S.r.L.	37	-	6	-	28	117	-	(1)	(20)	(21)	-	(21)	-	**(21)**
B. Joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Companies subject to significant influence	X	-	-	-	-	-	X	X	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The figures shown in the table in question relate to the Promos Fintech subsidiary's financial statements as at 31 December 2023 approved by the Board of Directors, held in April 2024.

Below is a reconciliation between the accounting information shown in the table and the book value of the equity investment in the Financial Statements.

- Promos Fintech srl

- total assets 43,641 consisting of cash and cash equivalents, financial assets and non-financial assets;
- total liabilities 28,466 consisting of financial and non-financial liabilities;
- resulting shareholders' equity 15,175.

With reference to the accounting information relating to Promos Corporate, please refer to the final liquidation accounts attached to these financial statements.

7.4 Non-significant equity investments: accounting information

The were no non-significant investments at the reporting date.

7.5 Equity investments: year-on-year changes

(€/000)

	TOTAL 2023	TOTAL 2022
A. Opening balances	**61**	**61**
B. Increases	**-**	**-**
B.1 Purchases	-	-
B.2 Write-backs	-	-
B.3 Write-ups	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Adjustments	-	-
30. Write-downs	16	-
C.4 Other changes	-	-
D. Closing balances	**45**	**61**
E. Total write-ups	**-**	**-**
F. Total adjustments	**-**	**-**

7.6 Commitments for investments in jointly controlled entities

The were no investments in jointly controlled entities at the reporting date.

7.7 Commitments for investments in entities subject to significant influence

There were no commitments for investments in entities subject to significant influence at the reporting date.

7.8 Significant restrictions

This item was not present at the reporting date.

7.9 Other information

There was no additional information to provide at the reporting date.

Section 8 – Tangible assets – Item 80

8.1 Breakdown of operating tangible assets measured at cost

(€/000)

Assets/values	TOTAL 2023	TOTAL 2022
1. Own assets	**4,328**	**4,462**
a) land	-	-
b) buildings	4,259	4,375
c) furniture	52	52
d) electronic systems	17	35
e) other	-	-
2. Rights of use acquired through leases	**20**	**36**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	8
e) other	20	28
Total	**4,348**	**4,498**
Of which: obtained through the enforcement of guarantees received	-	-

Item “2. “Rights of use acquired through leases” include the rights of use recognized pursuant to IFRS 16 in connection with a lease contract of company vehicles (€20 thousand).

8.2 Investment property: breakdown of assets measured at cost

At the reporting date, there were no tangible assets held for investment purposes; therefore, the relevant table is omitted.

8.3 Operating tangible assets: breakdown of revalued assets

At the reporting date, there were no revalued operating tangible assets; therefore, the relevant table is omitted.

8.4 Investment property: breakdown of assets measured at fair value

Assets/values	TOTAL 2023			TOTAL 2022		
	Fair value			Fair value		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1 Owned assets	**598**	**-**	**-**	**581**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	598	-	-	581	-	-
2 Rights of use acquired through leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**598**	**-**	**-**	**581**	**-**	**-**
Of which: obtained through the enforcement of guarantees received	**-**	**-**	**-**	**-**	**-**	**-**

Item "1 Owned Assets - b) Buildings" includes the amount related to a building reclassified - pursuant to IAS 40 - under the Bank's tangible assets held for investment.

8.5 Inventories of tangible assets governed by IAS 2: breakdown

At the reporting date, there were no tangible assets regulated by IAS 2; therefore, the relevant table is omitted.

8.6 Operating assets: year-on-year changes

(€/000)

	Land	Buildings	Fixtures	Electronic systems	Other	Total
A. Gross opening balances	**-**	**7,600**	**499**	**593**	**286**	**8,978**
A.1 Net total impairments	-	3,225	447	549	259	4,480
A.2 Net opening balance	**-**	**4,375**	**52**	**44**	**27**	**4,498**
B. Increases:	**-**	**2**	**119**	**101**	**91**	**313**
B.1 Purchases	-	-	-	3	-	3
B.2 Capitalised improvement expenses	-	2	-	-	-	2
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Transfers from buildings held as investment	-	-	X	X	X	-
B.7 Other changes	-	-	119	98	91	308
C. Decreases:	**-**	**118**	**119**	**128**	**998**	**463**
C.1 Sales	-	-	119	98	90	307
C.2 Depreciation	-	118	-	30	8	156
C.3 Adjustments due to impairment charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to	-	-	-	-	-	-
a) tangible assets held as investment	-	-	X	X	X	-
b) non-current assets and disposal groups	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balances	**-**	**4,259**	**52**	**17**	**20**	**4,348**
D.1 Net total impairments	-	3,344	329	481	175	4,329
D.2 Gross closing balance	**-**	**7,603**	**381**	**498**	**195**	**8,677**
E. Measurement at cost	-	-	-	-	-	-

For all tangible assets, the cost method is applied by the Bank.
Items A.1 and D.1 "Total net reductions" include the amount of depreciation on property, plant and equipment recognized in the accounts.
As indicated by Banca d'Italia, no amounts are reported in Sub-item "E. Measurement at cost" – as this item is intended only for tangible assets measured at fair value, which the Bank did not own at 31 December 2023.

Investment property: yearly changes

	Total	
	Land	**Buildings**
A. Opening balances	**-**	**-**
B. **Increases**:	**-**	**581**
B.1 Purchases	-	-
B.2 Capitalised improvement expenses	-	17
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Exchange profits	-	-
B.6 Transfers from buildings for functional use	-	-
B.7 Other changes	-	-
C. **Decreases**:	**-**	**-**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	-	-
C.4 Net adjustments for impairment	-	-
C.5 Exchange losses	-	-
C.6 Transfers to:	-	-
a) properties for functional use	-	-
b) non-current assets and disposal groups	-	-
C.7 Other changes	-	-
D. Closing balances	**-**	**598**
E. Fair value measurement	-	598

8.8 Inventories of tangible assets governed by IAS 2: yearly changes

There were no changes at the reporting date.

8.9 Commitments to purchase tangible assets

The Bank has no commitments to purchase tangible assets.

Section 9 – Intangible assets – Item 90

9.1 Intangible fixed assets: breakdown by type of asset

(€/000)

Assets/values	TOTAL 2023		TOTAL 2022	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	**241**	-	**393**	-
of which software	**240**	-	**382**	-
A.2.1 Assets measured at cost:	241	-	393	-
a) Internally generated intangible assets	190	-	382	-
b) Other assets	51	-	11	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**241**	-	**393**	-

Recognized intangible assets are amortized on the basis of their expected technological obsolescence.
All the intangible assets of the Bank are measured at cost.

9.2 Intangible assets: year-on-year changes

(€/000)

	Goodwill	Other intangible assets: internally generated assets		Other intangible assets: other		Total
		Definite life	Indefinite life	Definite life	Indefinite life	
A. Opening balances	**-**	**1,094**	**-**	**671**	**-**	**1,765**
A.1 Net total impairments	-	712	-	660	-	1,372
A.2 Net opening balance	**-**	**382**	**-**	**11**	**-**	**393**
B. Increases	**-**	**-**	**-**	**50**	**-**	**50**
B.1 Purchases	-	-	-	50	-	50
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**192**	**-**	**10**	**-**	**202**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	192	-	10	-	202
- Amortisation and depreciation	X	192	-	10	-	202
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ Income statement	-	-	-	-	-	-
C.3 Negative changes in fair value		-	-	-	-	-
- to shareholders' equity	X	-	-	-	-	-
- to income statement	X	-	-	-	-	-
C.4 Transfers to non-current disposal assets	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balances	**-**	**190**	**-**	**51**	**-**	**241**

D.1 Net total adjustments	-	904	-	670	-	1,574
E Gross final balances	**-**	**1,094**	**-**	**721**	**-**	**1,815**
F. Measurement at cost	-	-	-	-	-	-

No amounts were reported in Sub-item F - “Measurement at cost” - as this item is intended only for intangible assets measured at fair value, which the Bank does not own.

At the reporting date, the intangible assets shown in the table did not include rights of use acquired through leases.

9.3 Intangible assets: other information

In accordance with the requirements of IAS 38, paragraphs 122 and 124, please note that the Bank has not:

- placed its intangible assets as collateral for its liabilities;
- taken commitments to purchase intangible assets, as at the date of the financial statements;
- acquired intangible assets through finance or operating leases;
- acquired intangible assets licensed by the government;
- financial assets written up and measured at fair value.

At 31 December 2023, no goodwill was accounted for in the Bank’s financial statements.

Section 10 – Tax assets and liabilities – Item 100 of assets and Item 60 of liabilities

This item includes tax assets (current and deferred) and liabilities (current and deferred) recorded, respectively, in item 100 of the Assets and item 60 of the Liabilities.
Deferred tax assets and liabilities are accounted for in accordance with the accrual principle, in order to match costs and revenues that determine the result for the period.
According to IAS 12 the recognition of deferred taxes in the financial statements should be based on the following criteria:
- deferred tax liabilities must be recognised on all the temporary taxable differences,
- deferred tax assets can be recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference.

Deferred tax assets and liabilities were recognized in accordance with the current tax legislation, providing for the application of a 27.5% rate for IRES and a 5.72% rate for IRAP.

10.1 Deferred tax assets: breakdown

Contra entry to income statement

(€/000)

	IRES	IRAP	TOTAL
Receivables	180	32	212
Property, plant and equipment	-	-	-
Provisions for liabilities and charges	1	-	1
Tax losses	582	-	582
Administrative costs	-	-	-
Other items	87	-	87
TOTAL	**850**	**32**	**882**

Contra entry to shareholders' equity

	IRES	IRAP	TOTAL
Negative reserves for HTCS financial assets	-	57	57
severance indemnity	7	1	8
Other items	-	-	-
TOTAL	**7**	**58**	**65**

The item “receivables” in the above table includes Deferred Tax Assets (hereinafter also "DTA") relating to:

- write-downs and losses on loans to customers not yet deducted from taxable income pursuant to art.106, paragraph 3 of the Consolidated Income Tax Law (TUIR) and art. 6 paragraph 1, c-bis) of IRAP Decree 446/1997 convertible into a tax credit, regardless of the entity’s future profitability, both in case of statutory loss and IRES tax loss or of negative IRAP production value pursuant to Law No. 214 of 22 December 2011 ("qualified DTAs") of €73 thousand;

- adjustments arising from the expected credit loss model (ECL) under IFRS 9 FTA on loans to customers that cannot be converted into a tax credit and which, therefore, can only be recognized if there are sufficient and probable future taxable amounts, of €115 thousand (IRES) (article 1, paragraphs 1067-1069, Law no. 145 of 30 December 2018). It was originally provided that income components arising solely from adoption of the model involving the recognition of a loss allowance for expected credit losses on loans to customers, referred to in paragraph 5.5 of IFRS 9, and identifiable as a portion of the reserves for transition to IFRS9 recognized upon first adoption of the standard, are deductible from the IRES tax base to the extent of 10 percent of their amount in the tax period of first adoption of IFRS 9 (2018) and for the remaining 90 percent in equal amounts

over the subsequent tax periods. In the subsequent paragraph 1068 of Law no. 145/2018 a similar provision was included for IRAP.
The "Other items" in the above table include prepaid tax assets relating to unused ACE in the amount of €71 thousand.

In addition, it should be noted that the tax rules on the convertibility into tax credits of deferred tax assets associated with adjustments to receivables, goodwill and intangible assets, in giving "certainty" to the recovery of qualified DTAs, affects the "probability test" under IAS 12, by making it automatically satisfied for all the aforementioned DTAs.

For detailed information on the "probability test" carried out on deferred tax assets, please refer to paragraph 10.7 "Other information" hereinafter.

10.2 Deferred tax liabilities: breakdown

Contra entry to income statement

At the reporting date were no deferred tax liabilities as a contra entry to income statement; therefore, the relevant table is omitted.

Contra entry to shareholders' equity

At the reporting date were no deferred tax liabilities as a contra entry to shareholders' equity; therefore, the relevant table is omitted.

10.3 Changes in deferred tax assets (contra entry to income statement)

(€/000)

	TOTAL 2023	TOTAL 2022
1. Opening balance	**915**	**857**
2. Increases	**882**	**915**
2.1 Prepaid taxes recorded for the year	882	915
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) write-backs	-	-
d) other	882	915
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**915**	**857**
3.1 Prepaid taxes derecognised for the year	898	828
a) reversals	898	828
b) write-downs due to impossibility of recovery	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases:	17	29
a) amounts reclassified as tax credits pursuant to Law no. 214/2011	17	29
b) other	-	-
4. Closing balance	**882**	**915**

The decreases in deferred tax assets in the FY basically include the release of their balance prior to the reporting date.

10.3bis Change in prepaid taxes as per Law no. 214/2011

(€/000)

	TOTAL 2023	TOTAL 2022
1. Opening balance	**127**	**158**
2. Increases	**-**	**17**
3. Decreases	**54**	**48**
3.1 Reversals	37	19
3.2 Amounts reclassified as tax credits	17	29
a) resulting from losses for the period	-	-
b) resulting from tax losses	17	29
3.3 Other decreases	-	-
4. Closing balance	**73**	**127**

Table 10.3 bis shows the changes in deferred tax assets recognised on adjustments to loans to customers pursuant to Law no. 214/2011, including those relating to the conversion of tax losses due to the reversals under Law no. 214/2011 of loan write-downs not deducted in previous years amounting to €17 thousand.

10.4 Change in deferred taxes (contra entry to income statement)

At the reporting date there were no deferred tax liabilities as a contra entry to income statement; therefore, the relevant table is omitted.

10.5 Change in prepaid taxes (contra entry to shareholders' equity)

(€/000)

	TOTAL 2023	**TOTAL 2022**
1. Opening balance	**59**	**88**
2. Increases	**8**	**3**
2.1 Prepaid taxes recorded for the year	8	3
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	8	3
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2**	**32**
3.1 Prepaid taxes derecognised for the year	2	32
a) reversals	2	32
b) write-downs due to impossibility of recovery	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**65**	**59**

10.6 Change in deferred taxes (offsetting entry to equity)

(€/000)

	TOTAL 2023	TOTAL 2022
1. Opening balance	**-**	**26**
2. Increases	**-**	**-**
2.1 Deferred taxes recorded for the year	-	-
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**26**
3.1 Deferred taxes derecognised for the year	-	26
a) reversals	-	26
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**-**	**-**

10.7 Other information

(€/000)

Breakdown of current taxes	**IRES / IRPEG**	**IRAP**	**OTHER**
Current tax liabilities (-)	-	-	-
Advances paid (+)	-	15	-
Withholding taxes paid (+)	2	-	-
Other tax credits (+)	-	8	-
Tax credits as per Law no. 214/2011 (+)	81	3	25
Tax credits that cannot be offset: principal	92	31	-
Tax credits that cannot be offset: interest	-	-	-
Debit balance of item 60 a) of liabilities	**-**	**-**	**-**
Credit balance of item 100 a) of assets	**175**	**58**	**25**

With regard to the Bank's tax position, no assessment notice has been served to date for the years for which the limitation period has not yet expired.

Disclosure on the "Probability test" of deferred tax assets

Under para. 5 of IAS 12, "deferred tax assets" are defined as the amount of income taxes for the year that can be recovered in future years with respect to the following cases:

a) deductible temporary differences;
b) unused tax losses carried forward (including ACE (tax relief related to the increase in equity));
c) unused tax credits carried forward.

Specifically, the "temporary differences" are defined as differences that arise temporarily between the book value of assets (liabilities) and their tax value. They are defined as "deductible" when they generate amounts that can be deducted when determining future taxable income, in connection with the realization of assets (settlement of liabilities).

When there is a temporary deductible difference, par. 24 of IAS 12 provides for the recognition of a deferred tax asset - equal to the product between the deductible temporary difference and the tax rate expected in the year in which such difference will be reversed - only if and to the extent that it is probable that there will be a future taxable income against which the deductible temporary differences can be used (probability test). Indeed, the economic benefit consisting in the reduction of future tax payments is achievable only if the taxable income is of a sufficiently large amount (IAS 12, par. 27).

That said, the Bank reported deferred tax assets (DTA) of €882 thousand in the Balance Sheet as a contra entry to income statement. These included €73 thousand falling within the scope of Law 214/2011 and, therefore, as already described, they are considered "qualified" DTAs (and therefore of certain recoverability).

The "probability test" was carried out on the residual portion of DTAs in the income statement (i.e. those that cannot be converted into tax credits) of €809 thousand in order to verify the Bank's ability to generate future taxable income capable of absorbing the aforementioned deferred tax assets.

In carrying out the "probability test", the following elements were taken into account:

- updated forecast data;
- forecast quantification of the Bank’s future profitability.

The assessments made at the reporting date showed that the Bank will reasonably be able to produce future taxable income capable of ensuring the recoverability of the non-qualified DTAs recognized in the accounts.

Section 11 – Non-current assets and disposal groups and related liabilities – Item 110 of assets and item 70 of liabilities

11.1 Non-current assets and disposal groups: breakdown by type of asset

(€/000)

	TOTAL 2023	TOTAL 2022
A. Assets held for sale		
A.1 Financial assets	-	-
A.2 Shareholdings	-	-
A.3 Tangible assets	82	82
Of which: obtained through the enforcement of guarantees received	82	82
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total (A)	**82**	**82**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	82	82
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- financial assets held for trading	-	-
- financial assets designated at fair value	-	-
- other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortised cost	-	-
B.4 Equity investments	-	-
B.5 Tangible assets	-	-
Of which: obtained through the enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total (B)	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total (C)	**-**	**-**
of which measured at cost	-	-

of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities related to discontinued operations		
D.1 Financial liabilities measured at amortised cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which measured at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

Sub-item "A.3 Tangible assets" held for sale at the date of preparation of the financial statements, included a property acquired following enforcement of collateral for a value of €82 thousand.
At the reporting date, negotiations were under way for its subsequent disposal.

11.2 Other information

The Bank did not perform any transaction covered by IFRS 5 para. 42.

Section 12 – Other assets – Item 120

12.1 Other assets: breakdown

(€/000)

	TOTAL 2023	TOTAL 2022
Items in progress	775	504
Credit transfers being charged	-	-
Miscellaneous tax items	171	205
Tax credit (Art. 1, Law 160 of 27/12/2019)	318	440
Deferrals	-	-
Other minor items	41	11
Total	**1,305**	**1,160**

The "Items in progress" mainly reflect temporary transactions, which primarily refer to items processed in the last days of the year 2023, with contra entry in the first days of the subsequent year.
The item "Tax credit (Art. 1, Law 160 of 27/12/2019)" mainly includes the tax credit for Research and Development activities, pursuant to art. 1 of Law no. 160 of 27 December 2019, €48 thousand of which pertaining to FY2023. With regard to the tax relief in question, additional information is provided in the specific section of the Report on Operations of this annual report.
In addition, this item consists of Advances for the stamp duty for the subsequent year amounting to €110 thousand and advances for withholdings on interest expense of €22 thousand.

Liabilities

Section 1 – Financial liabilities measured at amortised cost – Item 10

1.1 Financial liabilities measured at amortised cost: breakdown by commodity of payables to banks

(€/000)

Transaction type/Values	TOTAL 2023				TOTAL 2022			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Payables to central banks	**4,005**	X	X	X	**8,006**	X	X	X
2. Payables to banks	**20**	X	X	X	**3,756**	X	X	X
2.1 Current accounts and sight deposits	20	X	X	X	3,756	X	X	X
2.2. Term deposits	-	X	X	X	-	X	X	X
2,3 Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for repurchase commitments of equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	-	X	X	X	-	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	**4,025**	**-**	**4,026**	**-**	**11,762**	**-**	**11,762**	**-**

Item “1. Payables to central banks” includes the amount payable to the European Central Bank for loans outstanding at 31 December 2023 in relation to loans granted by the ECB against securities given as collateral by the Bank.
With regard to the criteria for determining the fair value of this item, reference is made to the comments in Part A - Accounting Policies.

1.2 Financial liabilities measured at amortised cost: breakdown by commodity of loans to clients

(€/000)

Transaction type/Values	TOTAL 2023				TOTAL 2022			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1 Current accounts and sight deposits	17,400	X	X	X	20,182	X	X	X
2. Term deposits	12,134	X	X	X	11,571	X	X	X
3 Loans	-	X	X	X	-	X	X	X
3.1 Repurchase agreements	-	X	X	X	-	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4 Payables for repurchase commitments of equity instruments	-	X	X	X	-	X	X	X
5 Lease payables	20	X	X	X	36	X	X	X
6 Other payables	-	X	X	X	-	X	X	X
Total	**29,554**	**-**	**-**	**29,554**	**31,789**	**-**	**-**	**31,789**

As this item includes only sight deposits (current accounts and demand deposits) and term deposits maturing within 12 months, fair value is assumed to be equal to the amortised cost.

1.3 Financial liabilities measured at amortised cost: breakdown by commodity of outstanding securities

At 31 December 2023 there were no outstanding securities issued by the Bank.

1.4 Breakdown of subordinated payables/securities

No subordinated payables/securities existed at the reporting date.

1.5 Breakdown of structured payables

No structured payables existed at the reporting date.

1.6 Lease payables

(€/000)

	TOTAL 2023	TOTAL 2022
Lease payables to customers		
Up to 1 year	-	9
1 year to 5 years	20	27
Over 5 years	-	-
Total lease payables	**20**	**36**

As at 31 December 2023, the Bank had payables outstanding of €20 thousand falling due between 1 and 5 years relating to company car payments. Lease payables refer entirely to customer counterparties.

Section 2 – Financial liabilities held for trading – Item 20.

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 2– Financial liabilities held for trading - Item 20."

Section 3 – Financial liabilities designated at fair value – Item 30

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 3 – Financial liabilities designated at fair value – Item 30."

Section 4 – Hedging derivatives – Item 40

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 4 – Hedging derivatives – Item 40."

Section 5 – Adjustment to financial liabilities subject to macro-hedging – Item 50

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 5 - Adjustment to financial liabilities subject to macro-hedging - Item 50."

Section 6 – Tax liabilities – Item 60

For information on tax liabilities, see Section 10 of the Assets.

Section 7 – Liabilities related to discontinuing operations – Item 70

For information on tax liabilities, see Section 11 of the Assets.

Section 8 – Other Liabilities – Item 80

8.1 Other liabilities: breakdown

(€/000)

	Total 2023	Total 2022
Sums payable to the Inland Revenue on behalf of clients/staff	361	342
Credit transfers settled through clearing house	1,705	371
Trade payables	256	266
Collections on behalf of third parties and other amounts available to customers or third parties	174	170
Personnel costs	207	106
Payables to other entities	119	103
Accrued liabilities and deferred income	-	-
Portfolio credited subject to collection and after collection	-	-
Other payables to third parties	5	3
Total	**2,827**	**1,361**

Section 9 – Staff severance indemnity - Item 90

9.1 Staff severance indemnity: year-on-year changes

(€/000)

	Total 2023	Total 2022
A. Opening balances	**1,195**	**1,281**
B. Increases	**153**	**111**
B.1 Allocation for the year	129	111
B.2 Other changes	24	-
C. Decreases	**185**	**197**
C.1 Indemnities disbursed	80	11
C.2 Other changes	105	186
D. Closing balances	**-**	**-**
Total	**1,163**	**1,195**

At the reporting date, the Bank recognized the staff severance indemnity in accordance with IAS 19; therefore Item D. "Closing balance" of the recorded provision corresponds to its Actuarial Value (Defined Benefit Obligation - DBO).

The B.1 sub-item "Allocation for the year” is broken down as follows:
1) Service Cost for €85,772;
2) Net Interest Cost for €43,529.

"Other changes" as per sub-item C.2 include actuarial profits (€105,239) arising from the actuarial valuation, with contra entry to an equity reserve.
The sub-item C.1 refers to uses of the provision.

9.2 Other information

9.2.1 Other Information: Staff severance indemnity calculated according to article 2120 of the Italian Civil Code

(€/000)

	2023	2022
Opening provision	**1,267**	**1,088**
Increases	113	190
Decreases	185	11
Closing provision	**1,195**	**1,267**

The provision for the staff severance indemnity governed by art. 2120 of the Italian Civil Code, accrued as at 31 December 2023, amounted to €1,195 thousand. The staff severance Indemnity accruing continues to be kept in the company, as the Bank did not exceed the minimum threshold of 50 employees, as provided for by Law no. 296 of 27 December 2006.
Please note that no employee of the Bank opted to request the monthly direct payment of their accruing severance indemnity - salary supplement (QU.IR) - as an integral part of the remuneration, as permitted and governed by Prime Minister's Decree no. 29 of 20 February 2016

9.2.2 Other information: breakdown of actuarial assumptions

The values related to the staff severance indemnity provision derive from a special actuarial expertise commissioned to a Bank's external actuarial.

The actuarial benchmark model for the valuation of the staff severance indemnity ("Projected Unit Credit Method") is based on several demographic and economic assumptions.
Within the framework of the technical-economic bases used, it should be noted that:

- the annual discount rate (3.17%) used to calculate the present value of the liability was determined in accordance with paragraph 83 of IAS 19, with the IBoxx Corporate AA index with a duration of over 10 years as quoted on 31 December 2023. For this purpose, management used the yield having a duration comparable to the duration of the generality of employees in question;

- The employee indemnity annual increase rate, as provided for in art. 2120 of the Italian Civil Code, is equal to 75% of the inflation plus 1.5 percentage points;

- the annual salary increase rate applied exclusively for companies with on average less than 50 employees was determined on the basis of what was recorded by the Bank.

The additional information required by IAS 19 for post-employment defined benefit plans is provided below:

Sensitivity analysis on the main valuation parameters

Rate breakdown	DBO at 31/12/2023
Turnover rate +1%	1,165,495.00
Turnover rate -1%	1,159,188.28
Inflation rate +0,25%	1,179,259.98
Inflation rate -0,25%	1,146,142.71
Discounting rate +0,25%	1,140,727.70
Discounting rate -0,25%	1,185,033.87

Service Cost and Duration

Annual future Service Cost	76,260.54
Plan duration	10.03

Estimated future disbursements

Years	Expected disbursements
1	106,835.05
2	104,359.65
3	104,272.84
4	103,846.15
5	166,003.74

Section 10 – Provisions for liabilities and charges – Item 100

10.1 Provisions for liabilities and charges: breakdown

(€/000)

Items/Values	Total 2023	Total 2022
1. Provisions for credit risk related to commitments and financial guarantees granted	3	6
2. Provisions on other commitments and other guarantees granted	-	-
3. Company retirement funds	-	-
4. Other provisions for liabilities and charges	-	-
4.1 legal and tax disputes	-	-
4.2 staff expenses	-	-
4.3 other	-	-
Total	**3**	**6**

Item “1. Provisions for credit risk on financial commitments and guarantees given” includes, for €3 thousand, the provisions for credit risk in respect of commitments to disburse funds and financial guarantees given that fall within the scope of application of the IFRS 9 impairment rules.

10.2 Provisions for liabilities and charges: year-on-year changes

At the reporting date, there were no year-on-year changes related to “Provisions on other commitments and other guarantees granted”, “Provisions for retirement benefits” and “Other provisions for liabilities and charges”.

10.3 Provisions for credit risk related to commitments and financial guarantees granted

(€/000)

	Provisions for credit risk related to commitments and financial guarantees granted				
	First stage	Second stage	Third stage	Impaired acquired or originated	Total
1. Commitments to grant finance	2	1	-	-	3
2. Financial guarantees granted	-	-	-		-
Total	**2**	**1**	**-**	**-**	**3**

The breakdown by risk stage of the provisions in question is applied in accordance with the impairment model upon application of the IFRS 9 accounting standard.
For further details, please refer to Part A - Accounting policies.

10.4 Provisions on other commitments and other guarantees granted

At the reporting date, there were no provisions on other commitments and other guarantees granted.

10.5 Defined-benefit company retirement funds

At the reporting date, there were no defined-benefit company retirement funds.

10.6 Provisions for liabilities and charges - other provisions

At the reporting date, there were no “other provisions for liabilities and charges”.

At 31/12/2023 there were no disputes which could determine contingent liabilities for the Bank.

Specifically, during 2023, with reference to the writ of summons upon a customer's application, notified on 21 December 2016, seeking reimbursement of a cloned cheque of €34 thousand and the related damage compensation, the Judge of the Court of Naples, with order no. 10699/23 of 21.11.2023, rejected the application filed against the Bank, compensating the charges between the parties. The decision acquired the force of res judicata.

Likewise, with regard to summons served on the Bank by a customer seeking a declaration of unlawfulness of the Bank's actions: namely, freezing the company's current account and reversing (after indemnification of a well-known Bank) amounts credited to the account in relation to an alleged fraud perpetrated by the customer against a well-known e-commerce company, with claim for restitution of €552 thousand, the Court of Naples, through order 7874/23 of 26.07.2023 rejected the application filed by the plaintiff and condemning the latter to pay the judicial fees. The decision acquired the force of res judicata.

Section 11 – Redeemable shares – Item 120

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 11 – Redeemable shares – Item 120."

Section 12 – Corporate equity – Items 110, 130, 140, 150, 160, 170 and 180

12.1 "Share capital" and "Treasury shares": breakdown

For further details on this section, please refer to paragraph 12.3 below.

12.2 Share capital - Number of shares: year-on-year changes

Items/Types	Ordinary	Other
A. Shares at the beginning of the FY	**7,740,000**	**-**
- fully paid-up	7,740,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balances	**7,740,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration:	-	-
- business combinations transactions	-	-
- bond conversion	-	-
- warrants exercised	-	-
- other	-	-
- scrip issue:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Write-off	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal transactions	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balances	**7,740,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Existing shares at the end of the FY	7,740,000	-
- fully paid-up	7,740,000	-
- not fully paid-up	-	-

12.3 Share Capital: other information

At 31 December 2023 the share capital consisted solely of no. 7,740,000 shares, with a par value of € 1.00 each. There are no rights, privileges or restrictions on the shares.
The Bank holds no treasury shares.

12.4. Profit reserves: other information

In line with the requirements of IAS 1 paragraph 79 (b) and in compliance with article 2427, (4) and 7-bis, of the Italian Civil Code, the composition of the Bank's equity is detailed below, excluding the result for the year, with indication of the origin and degree of availability and eligibility for distribution of the various items.

(€/000)

Shareholders' equity	Amount 31.12.2023	Principal	Profits	Potential use	Use of the last 3 FYs
Share capital	7,740	7,740			-
Share premium account*	1,071	1,071		A B C	-
Legal reserve*	870	870		B	-
Business combinations reserve*	621	621		A, C	-
Valuation reserve	-1,025		-1,025	A, C	-
FTA provision	115	115		A, C	-
FTA provision IFRS9	-884	-884		A, C	-
Use of previous FYs	3,611		3,611	A, B, C	-
Total reserves excluding the result for the period	**12,119**	**9,533**	**2,586**		**-**

A = for share capital increase
B = for coverage of losses
C = for payment to shareholders

*Reserves taxable upon distribution pursuant to Article 110 of Decree-Law No. 104 of 14 August 2020

With reference to valuation reserves, the following is specified:
- the reserves from valuation of financial instruments measured at fair value through other comprehensive income represent the profits or losses arising from a change in the fair value of said financial assets;
- IAS 19 actuarial gains/losses refer to the valuation of staff severance indemnity.

12.5 Equity instruments: breakdown and year-on-year changes

There were no equity instruments other than capital and reserves.

12.6 Other information

	Males	Females	Other than natural persons	Total
Number of shareholders at 1 Jan	**34**	**22**	**4**	**60**
Number of shareholders: in	1	1	-	**2**
Number of shareholders: out	1	1	-	**2**
Number of shareholders at 31 December 2023	**34**	**22**	**4**	**60**

Breakdown of the allocation of the loss for the year (pursuant to article 2427, para. 22-septies of the Italian Civil Code)

The proposed allocation of the loss pursuant to Article 2427 paragraph 22-septies of the Italian Civil Code is presented below.

Proposal to allocate the loss for the year

Reserve of retained earnings	684,947

Other information

1. Financial commitments and guarantees given (other than those designated at fair value)

(€/000)

	Nominal amount of financial commitments and guarantees given			TOTAL 2023	TOTAL 2022
	First stage	Second stage	Third stage		
1. Commitments to grant finance	**194**	**29**		**223**	**1,341**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	-	-	-	-	500
d) Other financial companies	-	-	-	-	13
e) Non-financial companies	36	21	-	57	510
f) Families	158	8	-	166	318
2. Financial guarantees granted	**121**	**-**	**-**	**121**	**120**
a) Central Banks	-	-	-	-	-
b) Public Administrations	-	-	-	-	-
c) Banks	121	-	-	121	120
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Families	-	-	-	-	-

The "Commitments to disburse funds" are commitments that may give rise to credit risks which are subject to the IFRS 9 impairment rules.

The financial guarantees given include personal guarantees that secure the regular fulfilment of debt service obligations by the borrower.

2. Other commitments and other guarantees granted

(€/000)

	Face value	
	TOTAL 2023	TOTAL 2022
1. Other guarantees granted	**-**	**-**
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Families	-	-
2. Other commitments	**-**	**213**
of which: impaired	-	-
a) Central Banks	-	-
b) Public Administrations	-	-
c) Banks	-	120
d) Other financial companies	-	93
e) Non-financial companies	-	-
f) Families	-	-

3. Assets pledged as collateral for own liabilities and commitments

(€/000)

Portfolios	Amount 2023	Amount 2022
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	1,598
3. Financial assets measured at amortised cost	5,599	9,759
4. Tangible assets	-	-
of which: inventories	-	-

Item “3. Financial assets measured at amortised cost” includes the securities used as collateral against the loans received from the European Central Bank.

4. Third-party management and brokerage

(€/000)

Type of service	Amount
1. Execution of orders on behalf of clients	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Individual portfolio management	-
3. Custody and management of securities	-
a) third-party securities in custody: in the capacity of custodian bank (excluding asset management)	-
1. securities issued by the bank drafting the financial statements	-
2. other securities	-
b) third-party securities in custody (excluding asset management): other	9,708
1. securities issued by the bank drafting the financial statements	-
2. other securities	9,708
c) third-party securities in custody with third parties	10,151
c) own securities in custody with third parties	17,070
4.Other transactions	-

5. Financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At the reporting date, the Bank had no financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

6. Financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At the reporting date, the Bank had no financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

7. Securities lending transactions

At the reporting date the Bank had no outstanding securities lending transactions.

8. Disclosure of joint operations

At the reporting date, the Bank had no joint operations in force.

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 – INTEREST – ITEMS 10 AND 20

1.1 Interest and similar income: breakdown

(€/000)

Items/Technical forms	Debt securities	Loans	Other transactions	TOTAL 2023	TOTAL 2022
1. -Financial assets measured at fair value through profit or loss:	**46**	**-**	**-**	**46**	**31**
1.1. Financial assets held for trading	46	-	-	46	31
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**11**	**-**	X	**11**	**81**
3. Financial assets measured at amortised cost:	**407**	**659**	**-**	**1,066**	**539**
3.1 Loans to banks	156	199	X	355	80
3.2 Loans to customers	251	460	X	711	459
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	-
6. Financial liabilities	X	X	X	**11**	**11**
Total	**464**	**659**	**-**	**662**	**662**
of which: interest income on impaired financial assets	-	62	-	62	57
of which: interest income on finance lease	X	-	X	-	-

The item “Loans to banks” includes interest income accrued on overnight deposit transactions with Banca d’Italia for around €107 thousand.

The line "of which: interest income on impaired financial assets" shows interest calculated on the basis of the effective interest rate, including interest due to the passage of time. This interest refers to loans to customers.

1.2 Interest and similar income: other information

1.2.1 Interest income on financial assets in foreign currency

At the reporting date, there was no interest income on financial assets in foreign currency.

1.3 Interest expense and similar charges: breakdown

(€/000)

Items/Technical forms	Payables	Securities	Other transactions	TOTAL 2023	TOTAL 2022
1. Financial liabilities measured at amortised cost	**(727)**	**-**		**(727)**	**(234)**
1.1 Payables to central banks	(177)	X	X	(177)	(57)
1.2 Payables to banks	(37)	X	X	(37)	(78)
1.3 Payables to customers	(513)	X	X	(513)	(99)
1.4 Outstanding securities	**X**	**-**	**X**	**-**	**-**
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**X**	**X**	**-**	**-**	**-**
5. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
6. Financial assets	**X**	**X**	**X**	**-**	**(7)**
Total	**(727)**	**-**	**-**	**(727)**	**(241)**
of which: interest expense for lease payables	**-**	**X**	**X**	**-**	**-**

1.4 Interest and similar expenses: other information

1.4.1 Interest expense on financial liabilities in other currencies

At the reporting date, there was no interest expense on financial liabilities in foreign currency.

1.5 Hedging differentials

During the year the Bank did not enter into hedging transactions; therefore, the relevant table is not filled out.

SECTION 2 – FEES AND COMMISSIONS - ITEMS 40 AND 50

2.1 Fees and commissions receivable: breakdown

(€/000)

Type of service/Values	TOTAL 2023	TOTAL 2022
a) Financial instruments	**18**	**23**
1. Placement of securities	14	20
1.1 On a firm and/or irrevocable commitment basis	-	-
1.2 Without irrevocable commitment	14	20
2. Order receipt and transmission and order execution on behalf of clients	4	3
2.1 Receipt and transmission of orders for one or more financial instruments	4	3
2.2 Execution of orders on behalf of clients	-	-
3. Other commissions related to financial instrument activities	-	-
of which: dealing on own account	-	-
of which: individual portfolio management	-	-
b) Corporate Finance	**-**	**-**
1. Consulting regarding mergers and acquisitions	-	-
2. Treasury services	-	-
3. Other commissions related to corporate finance services	-	-
c) Investment consulting services	-	-
d) Offsetting and settlement	-	-
e) Custody and administration	**4**	**15**
1. Custodian bank	-	-
2. Other commissions related to custody and administration activities	4	15
f) Central administrative services for collective asset management	-	-
g) Fiduciary services	-	-
h) Payment services	**229**	**272**
1. Current accounts	122	147
2. Credit cards	-	-
3. Debt cards and other payment cards	17	30
4. Credit transfers and other payment orders	33	37
5. Other commissions related to payment services	57	58
i) Distribution of third-party services	**-**	**-**
1. Collective asset management	-	-
2. Insurance products	-	-
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Servicing for securitisation	-	-
l) Commitments to grant finance	-	-
m) Financial guarantees granted	-	-
of which: credit derivatives	-	-
n) Funding	-	-
of which: for factoring	-	-
o) Trading of foreign currencies	-	-
p) Goods	-	-
q) Other commissions receivable	**16**	**5**
of which: for management of multilateral trading systems	-	-
of which: for management of organised trading systems	-	-
Total	**267**	**315**

2.2 Fees and commissions receivable: distribution channels of products and services

(€/000)

Channels/Values	TOTAL 2023	TOTAL 2022
a) at own branches:	**3**	**1**
1. portfolio management	-	-
2. placement of securities	3	1
3. third-party products and services	-	-
b) out-of-branch offer:	**11**	**19**
1. portfolio management	-	-
2. placement of securities	11	19
3. third-party products and services		-
c) other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Commissions payable: breakdown

(€/000)

Type of service/Values	TOTAL 2023	TOTAL 2022
a) Financial instruments	**(275)**	**(187)**
of which: trading of financial instruments	(275)	(187)
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
- own	-	-
- delegated to third parties	-	-
b) Offsetting and settlement	**-**	**-**
c) Custody and administration	**(50)**	**(37)**
d) Collection and payment services	**(66)**	**(57)**
of which: credit cards, debt cards and other payment cards	(24)	(35)
e) Servicing for securitisation	-	-
f) Commitments to receive finance	-	-
g) Financial guarantees received	-	-
of which: credit derivatives	-	-
h) External placement of financial instruments, products and services	**-**	**-**
i) Trading of foreign currencies	**-**	**-**
j) Other commissions payable	**(25)**	**(27)**
Total	**(416)**	**(308)**

SECTION 3 – DIVIDENDS AND SIMILAR INCOME - ITEM 70

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 3 - Dividends and similar income – Item 70."

SECTION 4 – NET INCOME ON TRADING ACTIVITY – ITEM 80

4.1 Net profit/(loss) from trading activities: breakdown

(€/000)

Transactions/Income items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**4**	**3,206**	**-**	**(408)**	**2,802**
1,1 Debt securities	4	3,206	-	(408)	2,802
1,2 Equity securities	-	-	-	-	-
1.3 UCIT units	-	-	-	-	-
1,4 Loans	-	-	-	-	-
1,5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2,1 Debt securities	-	-	-	-	-
2,2 Payables	-	-	-	-	-
2,3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	(28)
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4,1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and stock indexes	-	-	-	-	-
- On foreign currencies and gold	X	X	X	X	-
- Other	-	-	-	-	-
4,2 Credit derivatives	-	-	-	-	-
of which: natural hedging connected with fair value option	X	X	X	X	-
TOTAL	**4**	**3,206**	**-**	**(408)**	**2,774**

The item includes:

a) the net profit (loss) on transactions classified as "financial assets held for trading" and "financial liabilities held for trading", including the results on the valuation of such transactions;

b) the "net result" of "financial assets and liabilities: exchange differences" includes the positive or negative balance of changes in the value of financial assets and liabilities denominated in foreign currencies; this includes profits and losses arising from currency trading.

SECTION 5 – NET INCOME/LOSS ON HEDGING ACTIVITY – ITEM 90

At the reporting date were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 5 - Net income/loss on hedging activity – Item 90."

SECTION 6 – PROFITS (LOSSES) ON DISPOSAL/REPURCHASE – ITEM 100

6.1 Profits (losses) on disposal/repurchase: breakdown

(€/000)

Income items/breakdown	TOTAL 2023			TOTAL 2022		
	Profits	Losses	Net result	Profits	Losses	Net result
A. Financial assets						
1. Financial assets measured at amortised cost:	**15**	**(19)**	**(4)**	**-**	**-**	**-**
1.1 Loans to banks	-	-	-	-	-	-
1.2 Loans to customers	15	(19)	(4)	-	-	-
2. Financial assets measured at fair value through other comprehensive income	**2**	**-**	**2**	**4**	**(2)**	**2**
2,1 Debt securities	2	-	2	4	(2)	2
2,2 Loans	-	-	-	-	-	-
Total assets (A)	**17**	**(19)**	**(2)**	**4**	**(2)**	**2**
Financial liabilities measured at amortised cost	**-**	**-**	**-**	**-**	**-**	**-**
1. Payables to banks	-	-	-	-	-	-
2. Payables to customers	-	-	-	-	-	-
3. Outstanding securities	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

SECTION 7 – NET INCOME/LOSS ON THE OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of financial assets and liabilities designated at fair value

At the reporting date there were no other financial assets and liabilities designated at fair value.

7.2 Net change in value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets and liabilities mandatorily measured at fair value

At the reporting date there were no other financial assets mandatorily measured at fair value.

SECTION 8 – NET ADJUSTMENTS/REVERSALS FOR CREDIT RISK – ITEM 130

8.1 Breakdown of net adjustments/reversals for credit risk relating to financial assets measured at amortised cost

(€/000)

Transactions/Income items	Adjustments (1)						Recoveries (2)				Total 2023	Total 2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			write-off	Other	write-off	Other						
A. Loans to banks	**(15)**	**(14)**	**-**	**-**	**-**	**-**	**8**	**26**	**-**	**-**	**5**	**(21)**
- loans	-	(14)	-	-	-	-	2	26	-	-	14	(16)
- debt securities	(15)	-	-	-	-	-	6	-	-	-	(9)	(5)
B. Loans to customers:	**(45)**	**(44)**	**(16)**	**(243)**	**-**	**-**	**33**	**97**	**332**	**-**	**114**	**12**
- loans	(40)	(44)	(16)	(243)	-	-	25	97	332	-	111	21
- debt securities	(5)	-	-	-	-	-	8	-	-	-	3	(9)
Total	**(60)**	**(58)**	**(16)**	**(243)**	**-**	**-**	**41**	**123**	**332**	**-**	**119**	**(9)**

8.2 Breakdown of net adjustments/reversals for credit risk relating to financial assets measured at fair value through other comprehensive income

(€/000)

Transactions/Income items	Adjustments (1)						Recoveries (2)				Total 2023	Total 2022
	First stage	Second stage	Third stage		Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
			write-off	Other	write-off	Other						
A. Debt securities	-	-	-	-	-	-	2	-	-	-	**2**	**(12)**
B. Loans:	-	-	-	-	-	-	-	-	-	-	**-**	**-**
- to customers	-	-	-	-	-	-	-	-	-	-	**-**	**-**
- to banks	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**	**(12)**

SECTION 9 - PROFITS / LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITION - ITEM 140

9.1 Breakdown of profits (losses) from contractual changes

(€/000)

	TOTAL 2023	TOTAL 2022
140. Profits / losses from contractual changes without derecognition	-	(1)

SECTION 10 – ADMINISTRATIVE EXPENSES - ITEM 160

10.1 Staff expenses: breakdown

(€/000)

Type of expense/Values	Total 2023	Total 2022
1) Employees	(1,918)	(1,900)
a) wages and salaries	(1,368)	(1,383)
b) social security charges	(392)	(333)
c) staff severance indemnity	-	-
d) pension costs	-	-
e) provision for staff severance indemnity	(129)	(111)
f) provision for retirement benefit and similar liabilities:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	-	-
- defined contribution	-	-
- defined benefits	-	-
h) costs deriving from payment plans based on own equity instruments	-	-
i) other benefits in favour of employees	(29)	(73)
2) Other employed personnel	-	-
3) Directors and Auditors	(387)	(356)
4) Personnel in retirement	-	-
5) Recovery of expenses for employees in secondment at other businesses	38	46
6) Recovery of expenses for third-party employees in secondment at the company	-	-
Total	**(2,267)**	**(2,210)**

Sub-“item “e) provision for staff severance indemnity” consists of:
1) Service Cost for €85,772;
2) Net Interest Cost for €43,529

Sub-item "i) other employee benefits" is detailed in table 10.4 below.

Sub-Item “3) Directors and Auditors”, includes the remuneration paid to directors and statutory auditors, including social security contributions paid by the company.

10.2 Average number of staff by category

	Total 2023	Total 2022
Employees (a + b + c)	28	30
a) Managers	-	-
b) Middle managers	5	5
c) Remaining employed staff	23	25
Other staff	-	-

The average number of employees is calculated in terms of weighted average, where the weight is the number of months worked by each person during the year. Part-time employees are accounted for at 50%.

10.3 Defined-benefit company retirement funds: costs and revenue

At the reporting date, there were no defined-benefit company retirement funds.

10.4 Other benefits in favour of employees

(€/000)

	Total 2023	Total 2022
Miscellaneous personnel costs: provision for loyalty bonus	-	-
Miscellaneous personnel costs: accident insurance	-	-
Miscellaneous personnel costs: charges for leaving incentives	-	-
Miscellaneous personnel costs: meal vouchers	(11)	(9)
Miscellaneous personnel costs: training costs	(15)	(1)
Sundry personnel costs: other benefits	(3)	(63)
Other benefits in favour of employees	**(29)**	**(73)**

10.5 Other administrative expenses: breakdown

(€/000)

	Total 2023	Total 2022
Administrative expenses	**(1,349)**	**(1,442)**
General expenses	**(835)**	**(918)**
Expenses for electronic services	(680)	(743)
Postal and telephone expenses	(42)	(49)
Stationery and printed material	(5)	(7)
Membership and similar fees of which:	(95)	(100)
- *Resolution Fund Contributions (SRF)*	*(2)*	*(2)*
- *Contributions to deposit guarantee schemes*	*(51)*	*(46)*
Finance leases and rentals	(13)	(19)
Real estate expenses	**(112)**	**(216)**
Lease payable and condominium expenses	-	(53)
Energy costs	(43)	(83)
Cleaning of premises	(3)	(3)
Security and surveillance expenses	(15)	(15)
Maintenance and repairs	(51)	(62)
Professional and insurance expenses	**(342)**	**(247)**
Fees for professional services	(28)	(20)
Auditing fees	(77)	(83)
Legal and sundry consultancy	(215)	(122)
Insurance	(22)	(22)
Research and development costs	**(29)**	**(35)**
Research and development costs	(29)	(35)
Other administrative expenses - Other	**(12)**	**(14)**
Miscellaneous	(12)	(14)
Promotional and advertising expenses	**(19)**	**(12)**
Advertising and entertainment	(19)	(12)
Direct and indirect taxes	**(149)**	**(167)**
Other	(149)	(167)
Total administrative expenses	**(1,498)**	**(1,609)**

The sub-item "Membership and similar fees" - in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IFRIC 21 "Levies" – around €2 thousand as ordinary and additional contributions to the Single Resolution Fund (SRF), and €51 thousand as ordinary contributions to the Interbank Deposit Protection Fund.

The item "Research and Development Costs" includes the costs incurred for the consulting services provided by a consulting firm with expertise in the industry, which supported the Bank in the implementation of technical-scientific projects for the development of software in support of business operations.

Short-term lease payments (contracts with a residual useful life of less than 12 months) and lease payments on low-value leases (less than € 5 thousand) are included in the sub-item "Lease and rental payments" for a negligible amount.

SECTION 11 – NET ALLOWANCES TO PROVISIONS FOR LIABILITIES AND CHARGES – ITEM 170

11.1 Breakdown of net provisions for credit risk relating to commitments to grant finance and financial guarantees granted

(€/000)

Financial statement items	2023		
	Stage 1	Stage 2	Stage 3
	Provisions (Sign -)		
Commitments to grant finance			
- Commitments to grant loans	(6)	(9)	(1)
Financial guarantees granted			
- Finance Guarantee contracts	-	-	-
Total accruals (-)	**(6)**	**(9)**	**(1)**
	Reallocations (+ sign)		
Commitments to grant finance			
- Commitments to grant loans	9	9	1
Financial guarantees granted			
- Finance Guarantee contracts	-	-	-
Total reallocations (+)	**9**	**9**	**1**
	Net provision		
Total	**3**	**-**	**-**

11.2 Breakdown of net provisions for other commitments and other guarantees granted

At the reporting date, there were no net allocations relating to other commitments and other guarantees granted.

11.3 Net allocations to other provisions for liabilities and charges: breakdown

Items	2023			2022		
	Provision (with - sign)	Reallocations (with + sign)	Net total	Provision (with - sign)	Reallocations (with + sign)	Net total
Provisions and re-allocations to other provisions for liabilities and charges						
1. for claw-back risks	-	-	-	-	-	-
2. for charity and solidarity purposes	-	-	-	-	-	-
3. for personnel liabilities and charges	-	-	-	-	-	-
4. for legal and tax disputes	-	-	-	(27)	1	(26)
5. for other liabilities and charges	-	-	-	-	-	-
Total	**-**	**-**	**-**	**(27)**	**1**	**(26)**

.

SECTION 12 – NET ADJUSTMENTS/REVERSALS ON TANGIBLE ASSETS - ITEM 180

12.1. Net adjustments to property, plant and equipment: breakdown

(€/000)

Assets/Income items	Depreciation (a)	Adjustments for impairment (b)	Reversals (c)	Net result (a + b + c)
A. Tangible assets				
1. Functional assets	(156)	-	-	(156)
- Owned	(140)	-	-	(140)
- Rights of use acquired through leases	(16)	-	-	(16)
2. Held for investment	-	-	-	-
- Owned	-	-	-	-
- Rights of use acquired through leases	-	-	-	-
3. Inventories	X	-	-	-
Total	**(156)**	**-**	**-**	**(156)**

The result of the measurement of tangible assets classified as held for sale, pursuant to IFRS 5, is not significant.

SECTION 13 – NET ADJUSTMENTS TO/WRITE-BACKS ON INTANGIBLE ASSETS – ITEM 190

13.1 Net adjustments to intangible assets: breakdown

(€/000)

Assets/Income item	Depreciation (a)	Adjustments for impairment (b)	Reversals (c)	Net result (a + b - c)
A. Intangible assets	(202)	-	-	(202)
- of which software	(192)	-	-	(192)
A.1 Owned	(202)	-	-	(202)
- Internally generated	(192)	-	-	(192)
- Other	(10)	-	-	(10)
A.2 Rights of use acquired through leases	-	-	-	-
Total	**(202)**	**-**	**-**	**(202)**

SECTION 14 – OTHER OPERATING INCOME AND EXPENSES – ITEM 200

14.1 Other operating expenses: breakdown

(€/000)

	Total 2023	Total 2022
Settlement and indemnification expenses	-	(36)
Non-recurring gains/losses that cannot be classified into a specific item	(22)	(11)
Other operating expenses - other	(11)	(6)
Total operating expenses	**(33)**	**(53)**

14.2 Other operating income: breakdown

(€/000)

	Total 2023	Total 2022
Recovery of expenses	99	115
Rental income	12	17
Non-recurring gains/losses that cannot be classified into a specific item	4	8
Other operating income - other	234	143
Total other operating income	**349**	**283**

The item “Recovery of expenses” mainly relates to the recovery of stamp duties charged to customers, with offsetting entry in the sub-item “Taxes and duties” included under Other administrative expenses.

The item "Other operating income" includes the income related to the tax credit for research and development activities, amounting to €41 thousand which - in accordance with IAS 20 - is similar to an operating grant and was therefore recorded under other operating income. For more details, please see Part A - Section A.4 Other Aspects.

The item also includes the contributions from the Provision for New Skills for staff training, amounting to €193 thousand.

SECTION 15 – PROFITS (LOSSES) ON EQUITY INVESTMENTS – ITEM 220

15.1 Profits (losses) on equity investments: breakdown

(€/000)

Income item/Values	Total 2023	Total 2022
A. Income	-	-
1. Write-ups	-	-
2. Profits on disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expenses	**(16)**	-
1. Write-downs	(16)	-
2. Net adjustments for impairment	-	-
3. Losses on disposals	-	-
4. Other expenses	-	-
Net result	**(16)**	**-**

SECTION 16 – NET RESULT OF TANGIBLE AND INTANGIBLE ASSETS MEASURED AT FAIR VALUE – ITEM 230

At the reporting date were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 16 - Net result of tangible and intangible assets measured at fair value – Item 230."

SECTION 17 – ADJUSTMENTS TO GOODWILL – ITEM 240

At the reporting date were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 17 - Adjustments to goodwill – Item 240."

Section 18 – PROFITS (LOSSES) ON INVESTMENT DISPOSAL – ITEM 250

Income item/Values	Total 2023	Total 2022
A. Properties	-	-
- Profits on disposals	-	-
- Losses on disposals	-	-
B. Other assets	-	1
- Profits on disposals	-	1
- Losses on disposals	-	-
Net result	**-**	**1**

SECTION 19 – INCOME TAXES FOR THE YEAR ON CURRENT OPERATIONS - ITEM 270

19.1 Income taxes for the year on current operations: breakdown

(€/000)

	Income items/Values	Total 2023	Total 2022
1.	Current taxes (-)	-	(13)
2.	Changes in current taxes for previous years (+/-)	-	-
3.	Reduction in current taxes for the period (+)	-	-
3.bis	Reduction in current taxes for the year for tax credits as per law no. 214/2011 (+)	18	30
4.	Change in prepaid taxes (+/-)	(23)	58
5.	Change in deferred taxes (+/-)	-	-
6.	**Taxes for the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(5)**	**75**

19.2 Reconciliation of notional and actual tax burden

(€/000)

INCOME ITEMS	Tax
Item/Values Pre-tax profit of current operations (item 270 of the income statement)	(680)
IRES income taxes - Notional tax burden	-
Decreases in the taxable base - Effects on IRES	85
Increases in the taxable base - Effects on IRES	-
A. Actual tax burden - current IRES tax	**-**
Increases in prepaid taxes	-
Decreases in prepaid taxes	(24)
Increases in deferred taxes	-
Decreases in deferred taxes	-
B. Total effects of deferred IRES taxation	**(24)**
C. Change in current taxes	**-**
D. Total IRES for the period (A+B+C)	**(24)**
IRAP theoretical tax charge with application of nominal tax rate (difference between brokerage margin and deductible costs):	(82)
Effect of decreases in value of production	116
Effect of increases in value of production	(6)
Change in current taxes for previous years	-
E. Actual tax burden - current IRAP tax	**28**
Increases in prepaid taxes	-
Decreases in prepaid taxes	(9)
Increases in deferred taxes	-
Decreases in deferred taxes	-
F. Total effects of IRAP deferred taxability	**(9)**
G. Total pertaining IRAP (E+F)	**19**
H. IRES/IRAP substitute tax on differences between statutory and tax values of assets	**-**
TOTAL CURRENT IRES - IRAP TAXES (A+C+E+H)	**28**
TOTAL IRES - IRAP TAXES FOR THE YEAR (A+C+E+H)	**(5)**

SECTION 20 – PROFIT (LOSS) OF DISCONTINUED OPERATIONS, AFTER TAXES – ITEM 290

At the reporting date were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to "Section 20 - Profit (Loss) of discontinued operations, after taxes – Item 290."

Section 21 – Other information

At the reporting date, there was no further information to provide on the income statement.

Section 22 – EPS

22.1 Average number of ordinary shares with diluted capital earnings

At 31 December 2023 the Bank owned no ordinary shares with diluted capital earnings.

22.2 Other information

Earnings per share (basic and diluted) for 2023 amounted to € -0.09, calculated - as provided for by law - by dividing the result for the period by the average number of shares outstanding during the year.

Part D – COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

(€/000)

	Items	Total 2023	Total 2022
10.	**Profit (loss) for the year**	**(685)**	**(67)**
	Other income items not reversed to income statement		
20.	Equity securities designated at fair value through other comprehensive income	(1)	(105)
	a) Changes in fair value	(1)	(105)
	b) Transfers to other equity items	-	-
30.	Financial liabilities designated at *fair value* through profit or loss (changes of own creditworthiness):	-	-
	a) Changes in fair value	-	-
	b) Transfers to other equity items	-	-
40.	Hedging of equity securities designated at fair value through other comprehensive income:	-	-
	a) Changes in fair value (hedged tool)	-	-
	a) Changes in fair value (hedging tool)	-	-
50.	Tangible assets	-	-
60.	Intangible fixed assets	-	-
70.	Defined-benefit plans	(24)	186
80.	Non-current assets and disposal groups	-	-
90.	Share of valuation reserves for equity investments measured at equity	-	-
100.	Income taxes related to other income items not reversed to income statement	8	(9)
	Other income items reversed to income statement		
110.	Foreign investment hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Exchange rate differences:	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedging:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
	of which: result from net positions	-	-

140.	Hedging instruments (non designated items):	-	-
	a) changes in value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	3	(32)
	a) changes in fair value	7	(20)
	b) reversal to income statement	(4)	(12)
	- amendments for credit risk	(4)	(12)
	- profits/losses on disposal	-	-
	c) other changes	-	-
160	- Non-current assets and disposal groups:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Share of valuation reserves for equity investments measured at equity:	-	-
	a) changes in fair value	-	-
	b) reversal to income statement	-	-
	- adjustments due to impairment	-	-
	- profits/losses on disposal	-	-
	c) other changes	-	-
180.	Income taxes related to other income items reversed to income statement	(2)	6
190.	**Total of other income items**	**(16)**	**46**
200.	**Comprehensive income - (10 +190)**	**(701)**	**(21)**

Part E – INFORMATION ON RISKS AND HEDGING POLICIES

Recitals

The Bank pays special attention to the governance and management of risks and ensures that its organizational/procedural controls, methodological solutions and tools are kept constantly up to date to support effective and efficient risk governance and control, also in response to changes in the operational and regulatory environment.

The Bank's risk management strategy rests on a holistic view of business risks that takes into account both the macroeconomic scenario and the individual risk profile, by encouraging a growing risk control culture across the organization and by strengthening transparent and accurate representation of said risks.

The Bank's risk taking strategies are summarized in the Risk Appetite Framework (RAF) approved by the Board of Directors. The latter defines the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies and the reference processes necessary to define and implement them, in line with the maximum acceptable risk, the business model and the strategic plan. The RAF, which was introduced to ensure that risk-taking activities are in line with management expectations and compliant with the overall regulatory and prudential framework, is defined in light of the overall risk position and financial situation and performance of the Bank.

Both the general principles, in terms of risk appetite, and the safeguards adopted regarding the overall risk profile and the main specific risks, are defined within the framework.

The general principles underlying the Bank's risk-taking strategy are summarized below:
- the Bank's business model is mainly focused on financial intermediation activities. The traditional lending activity is also carried out;
- the objective of the corporate strategy is not to eliminate risks but to ensure they are fully understood so that they can be knowingly assumed and they are properly managed so as to ensure sound, long-term business sustainability;
- limited risk-appetite, capital adequacy, income stability, sound liquidity position, attention to maintaining a good corporate reputation, strong control over the main specific risks to which the company is exposed, are key elements underlying all business operations;
- formal and substantial compliance with the rules in order to avoid sanction and maintain strong relationship of trust with all corporate stakeholders.

Therefore, the *Risk appetite framework* provides a framework for the overall management of risks assumed by the Bank and for the definition of general risk appetite principles and the consequent development of safeguards against corporate risk.

The monitoring of the overall risk profile is based on a structure of limits aimed at ensuring compliance, both in ordinary and stress conditions, with minimum required solvency, liquidity and profitability levels.
In particular, overall risk oversight aims to maintain adequate levels of:
- capitalization, with respect to first and second pillar risks, through the monitoring of the Common Equity Tier 1 ratio, the Tier 1 ratio, the Total Capital ratio and the financial leverage indicator;
- liquidity, enabling the bank to face even prolonged periods of tension on the various funding markets both in the short-term and on a more structural basis, by monitoring the limits set under the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and loan collection gap;
- risk-adjusted profitability; by monitoring the Roa indicator.

Reporting to corporate bodies is defined within the same framework and aims to provide summary information on a periodic basis on the evolution of the Bank's risk profile, taking into account its defined risk appetite. This framework is designed to support the development of a holistic representation of the risks to which the Bank is exposed.

The RAF is defined through a structured and complex process, under the coordination of the company risk management in close interaction with the heads of the various business units, Administration, management control and other corporate control functions. This process is developed in line with the ICAAP / ILAAP processes and the development / updating of the recovery plan and provides the reference framework for the preparation of the annual budget and the business plan, ensuring consistency between risk-taking strategies and policies on the one hand and planning and budgeting processes on the other.

The Bank has also drawn up its recovery plan according to the indications of the relevant authorities; the plan outlines methods and measures to restore the company solvency profiles in the event of serious deterioration of the financial situation. To this end, stress scenarios were identified that reveal the main vulnerabilities of the Bank and help measure their potential impact on the Bank's risk profile.

The risk governance model, i.e. the set of corporate governance arrangements and management and control mechanisms designed to cope with the risks to which the Bank is exposed, is part of the broader framework of the Bank's internal control system, which has been defined in accordance with the regulations for the prudential supervision of banks set out in the 15th update to Banca d'Italia Circular No. 263/2006, subsequently merged into Circular no. 285/2013 (First Part, Title IV, Chapter 3).

Consistent with these guidelines, the risks to which the Bank is exposed are monitored within an organizational model based on a full separation of control and production functions, which integrates methods and controls at different levels such as to ensure the achievement of the following purposes, according to sound and prudent management:
- monitoring the implementation of company strategies and policies;
- risk containment within the limits defined in the Bank's RAF;
- safeguarding asset value and protection against losses;
- efficiency and effectiveness of the operating processes;
- reliability and security of business information and IT procedures;
- preventing the risk that the bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism;
- compliance of operations with the law and supervisory regulations as well as with policies, internal regulations and procedures.

The internal control system therefore involves the entire organization, starting from the corporate bodies and then extending to:
- line controls, whose main objective is to ensure operations are properly carried out with respect to external /internal regulations;
- second level controls, designed to implement risk management controls (under the responsibility of Risk Management) and controls on regulatory compliance (under the responsibility of Compliance). With respect to the management of the risk of money laundering and terrorist financing, in compliance with the relevant regulations and following an accurate organizational analysis that took into account the size of the Bank, its overall operations and staff, the Bank has taken steps to to establish a specific Anti-Money Laundering Function;
- third-level controls (assigned to Internal Auditing), designed to identify anomalous trends in procedures and regulations and to assess the operation of the overall internal control system.

In line with the provisions issued by Banca d'Italia, the model adopted by the Bank outlines the main responsibilities of its governing and control bodies in order to ensure the overall effectiveness and efficiency of the internal control system.
Through a combined analysis of supervisory regulations and the Bank's articles of association, it is clear that the Bank's strategic supervisory function and management function are exercised under the coordinated and integrated action of the Board of Directors. The Chief Executive Officer participates in the management function is his role as head of the Bank's internal organization.
The strategic supervisory function guides the management process through:
- preparation of the strategic plan, within shall encapsulate the system of risk objectives (RAF);
- approval of the ICAAP / ILAAP report and of the budget, ensuring they are consistent between each other and with the internal control system and the organization.

The management function, to be understood as the set of decisions made by a corporate body for "the implementation of guidelines issued by the strategic supervisory function", is the responsibility of the Board of Directors with the support of the Chief Executive Officer, who participates in Board of Directors' meeting as board member and who has been delegated powers by the Board.

The Board of Statutory Auditors is the body vested with the control function and, as head of corporate control, it monitors the correct application of the law and the articles of association and, specifically, the adequacy of the internal control system and the effectiveness of the control functions, taking also advantage of the information provided by said functions.

Section 1 – Credit risk

Credit risk, also known as counterparty risk, generally refers to the risk that the customer/counterparty does not perform its obligations in the manner and within the time provided for by the contract, due to lack of funds. It is specifically the risk that the customer-debtor fails to fulfil even a part of their obligation in a loan transaction to reimburse principal and pay interest.
Credit risk, therefore, includes solvency, concentration and Country risks[1].

Qualitative information

1. General aspects

The objectives and strategies of the Bank's lending activities are addressed to:
- efficient selection of counterparties to whom loans are granted, through accurate analysis of creditworthiness so as to contain insolvency risk;
- diversification, by limiting the concentration of exposures to single counterparties/groups or sectors of economic activity;
- constant monitoring of existing loans, both using IT procedures and through the monitoring of positions in order to promptly detect any symptoms of imbalance and take corrective actions aimed at preventing the deterioration of the loan.

The commercial policy of the Bank with respect to lending activities is oriented to providing financial support to the local economy and is characterized by a high propensity to maintain fiduciary and personal relations with all members of the community (households, small businesses and firms).
From a product standpoint, loans are mainly directed towards branches of economic activity that are most consistent with the Bank's credit policies and with the positive economic dynamics that, historically and currently, characterise the area in which the Bank operates *(such as, for example, services, commerce, manufacturing)*.
In addition to traditional lending activities, the Bank is exposed to position and counterparty risks with respect to its securities trading activities.
In compliance with its Business Plan, the Bank has for some time now undertaken a lending restriction policy; this has enabled it to mitigate the effects of the risks associated with the worsening macro-economic scenario that has affected the various production sectors across the board and

Securities trading involves limited exposure of the Bank to position risk as investments in financial instruments are, in general, oriented towards high issuers (central governments, financial intermediaries and non-financial companies) with high credit standing.

On 16 December 2022, the European Banking Authority (EBA) repealed the guidelines relating to reporting and public disclosure obligations on loans subject to support measures applied in light of the Covid19 crisis, contained in the EBA/GL /2020/07. This decision, taking effect from 1 January 2023, originates from the changed scenario linked to the pandemic.

Furthermore, reference is made to comments in Part A section *4.Other Aspects*.

2. Credit risk management policies

2.1 Organisational issues

In light of legal provisions on "*Internal Control System*" (contained in circular letter No. 285/2013, Part One, Title IV, Chapter 3), the Bank's organizational structure has been shaped to facilitate an efficient and effective credit risk management and control process.
In addition to line controls, such as first-level activities, the functions responsible for monitoring the management of positions and those in charge of second-level and third-level control, measure and monitor risk performance and the correctness / adequacy of management and operational processes.

[1]Country risk is the risk associated with international transactions, when the foreign customers-debtors do not fulfil their obligations, due to the macroeconomic conditions in the country in which they operate.

In terms of credit risk, the provisions describe a series of aspects and precautions that are already largely covered by process regulations, but which supplement these areas by requiring formalized criteria for the classification, assessment and management of impaired exposures.
The Credit Area, with its organizational units, is the body delegated to govern the review and approval stages of the lending process. The Credit and Litigation Control Office is the function delegated to monitor and manage disputes (as specified below).
The division of duties and responsibilities within this area is, as much as possible, designed to achieve the segregation of activities in conflict of interest, especially through appropriate levels of IT authorizations.
The entire credit management and control process is governed by an Internal Regulation *("Credit Regulation")* which, specifically:

- defines criteria and methods for assessing creditworthiness;
- defines criteria and methods for reviewing credit lines;
- defines criteria and methods for monitoring loan performance, and actions to be taken when anomalies are detected;
- defines loan approval powers.

In compliance with the Guidelines for Italian Less significant banks regarding the management of impaired loans published by Banca d'Italia on 30 January 2018, the bank adopted a specific policy for the management of impaired loans which, in addition to defining criteria for their classification and measurement, outlines specific strategies aimed at optimizing NPL management through the maximization of the present value of recoveries taking into account the Bank's management capabilities, the external environment, the characteristics of impaired portfolios, the costs associated with managing them and the indirect costs associated with maintaining a high level of NPLs.
The Bank has in place appropriate organizational arrangements that ensure the timely adoption of the most suitable measures for the classification, assessment and management of impaired positions.

The function in charge of the classification, measurement and management of NPLs is the Credit Control and Litigation Office. This function is separate from the Units involved in the loan approval phase and can request the support of external experts.

With regard to transactions with connected parties, the Bank has adopted specific decision-making procedures designed to manage the risk that the proximity of certain individuals to the decision-making bodies of the Banks may compromise the impartiality and objectivity of decisions. In this perspective, the Bank has also adopted tools and an IT procedure to ensure that connected parties are correctly and fully identified. These measures were supplemented through an updating, where deemed necessary, of the framework resolution and the regulations already in use within the bank. This set of documents, which make up the Policy, is thus made compliant with the regulations on connected parties.

Currently the Bank has one branch only.

The control activity on the management of credit risks (as well as financial risks and operational risks) is performed by the risk control function (Risk Management), which directly reports to the Board of Directors, through a series of tasks arising from the responsibilities set out in the Supervisory Provisions on the internal control system.
Specifically, the function contributes in defining the RAF and the related risk governance policies and in setting the operating limits to the assumption of the various types of risk.
The function:

- is involved in the definition and implementation of the "Risk Governance Policy - RAF" and of the various
steps that make up the risk management process, as well as in the setting of operating limits to the assumption of the various types of risk. In this respect, it is responsible, inter alia, for proposing the quantitative and qualitative parameters necessary to define the "Risk Governance Policy - RAF", which also refer to stress scenarios and, in the event of changes in the operating environment both within and outside the bank, the adjustment of those parameters.
- monitors the adequacy of the "Risk governance policy - RAF".
- monitors, on an ongoing basis, the adequacy of the risk management process and of operating limits.
- defines common assessment metrics for operational risks consistent with the "Risk Governance Policy - RAF", in coordination with Compliance, and with the head of business continuity.
- defines evaluation and control systems for reputational risk, in coordination with the compliance function and the corporate functions more exposed to risk.

- supports the governing bodies in the evaluation of strategic risk by monitoring significant variables.
- ensures that risk measurement and control systems are consistent with the processes and methods in place to assess bank activities, in coordination with the organizational units involved.
- develops and applies indicators that can detect anomalies and inefficiencies in risk measurement and control systems.
- analyses the risks of new products and services and those arising from entering into new business segments and markets.
- provides preliminary advice on the level of consistency with the RAF of the most important transactions and, depending on the nature of the transaction, also seeks the opinion of other functions involved in the risk management process;
- constantly monitors the bank's risk profile and its consistency with the bank's risk appetite as well as compliance with the operating limits assigned to operating structures in relation to the assumption of various types of risk.
- ensures the proper monitoring of individual credit exposures.
- monitors the adequacy and effectiveness of measures taken to address any deficiencies detected in the risk management process.
- assesses the bank activities and formalizes the results in a specific report.

2.2 Management, measurement and audit systems

The management of credit risk depends on lending policies. For this purpose, the Board of Directors establishes the general principles governing lending to customers, approves the strategic guidelines and policies for loan disbursement and risk management, through the definition of specific parameters (type of loans, percentage of funding to be used in lending).

The whole lending process, from the preliminary assessment to disbursement, as well as monitoring positions, reviewing credit lines and responding to abnormal situations, was formalised in the "Credit Regulations", approved by the Board of Directors and periodically audited.
The regulations cover: credit authorities, prudential limits, acceptable collateral, loans classification, credit monitoring, control and reporting system.

Consistent with these policies, the Bank has defined criteria for classifying, assessing and managing impaired positions as well as methods for monitoring credit risk; the above also with the objective of activating a systematic monitoring of positions allocated to network representative and coordinated by the Credit Control and Litigation Office.

Proper management of the credit process also requires an adequate risk measurement and control system.
In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.

The system is organised into the three levels outlined below:

1) line controls or first-level controls, to ensure that operations are properly carried out; these are performed by the branch staff;

2) second-level controls, which are the responsibility of:
- the Credit Control and Litigation department, which, as part of its ordinary activities, carries out checks with regard to loan applications, granting and classification as well as audits on any unusual use of funds in the early stages of the loan and on loans performing in anomalous ways and therefore impaired;
- the Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed, also in relation to loan performance;
- the Compliance department, which verifies compliance with internal and external regulations.

3) third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

Moreover, the following activities are carried out:
- preventive controls, which take place prior to granting the credit line and are specifically aimed at verifying compliance with credit authority limits, guarantee standards, the completeness and adequacy of all documents delivered to and/or signed by the customer;
- on-going controls, which take place after the loan has been granted and disbursed, involving monitoring of the positions in their various operating aspects, with particular reference to risk management (unauthorised overdrafts, compliance with guarantee margins, etc.), in order to verify the recoverability of the loan at all times.

Finally, the Bank uses a management tool to carry out first-level controls through which the Credit Control Office and the branches can periodically monitor existing positions; this procedure uses historical internal databases and assigns a risk rating to each customer. Ratings are determined at the NDG level and any anomalies and data that contributed to their formulation are logged.

The IT application adopted by the Bank enables it to periodically extrapolate, among others, all performing relationships for which there is an indication of anomalous performance, including for example, being reported as doubtful in the system, the presence of past due and overdrawn amounts, qualifying as forborne, etc. Therefore, through constant monitoring of the reports provided by the application it is possible to promptly deal with anomalies in the credit relationship and take appropriate measures for the loans in question.
Credit exposures, as mentioned, are also monitored using the information provided by the Central Credit Register.
All fiduciary positions are also subject to periodic review, which is carried out for each individual counterparty/group of connected customers by the departments in charge based on credit limit.

2.3 Expected losses measurement methods

IFRS 9 introduced, for instruments recognized at amortized cost and at fair value with contra entry to equity (other than equity instruments), a model based on the "expected loss" concept, replacing the current "incurred loss" model provided for IAS 39.
The changes introduced by IFRS 9 are characterized by a prospective view that, in certain circumstances, may require the immediate recognition of all expected losses during the life of a loan. In particular, unlike IAS 39, the initial amounts of expected future losses on the entity's financial assets have to be recorded immediately and independently of any trigger event and said estimate has to be continually adjusted also considering the counterparty credit risk. For the purpose of this estimate, the impairment model must consider not only past and current data, but also information relating to future events.
This forward-looking approach helps reduce the impact upon occurrence of the losses and allows the loan adjustments to be made in proportion to the increase in risk, thereby preventing any excessive burdening of the income statement upon occurrence of the loss events and reducing the pro-cyclic effect.

The new model for the measurement of expected credit losses on impaired loans and securities is applicable to financial assets (loans and debt securities), commitments to disburse funds, guarantees as well as to financial assets not measured at fair value through profit or loss. For credit exposures falling within the scope of application [2] of the new model, the accounting standard provides for the allocation of the individual positions to one of 3 stages according to changes in credit quality, defined based on a 12-month or lifetime (if there has been a significant increase in risk) expected credit loss model. In particular, the stage allocation consists of three different categories which reflect the credit quality deterioration model from initial recognition:
- in stage 1, loans not showing a significant credit risk (SICR) at the assessment date or identifiable as Low Credit Risk;
- in stage 2, loans showing a significant credit risk at the assessment date or not being identifiable as Low Credit Risk;
- in stage 3, non-performing loans[3].

The estimate of the expected loss through the Expected Credit Loss (ECL) approach, for the classes defined above, is made by allocating each exposure in the three reference stages, as detailed below:
- stage 1: the expected loss must be calculated over a 12 months' time horizon;[4];

[2] The application segments are divided into ordinary customers, interbank segment and Securities Portfolio.
[3] *Non-performing* loans include: impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.
[4] The Expected Loss calculation for the purpose of calculating the collective write-downs on these exposures is made on a 12-month point-in-time basis.

- stage 2: the expected loss must be calculated considering all the losses that are expected to be sustained during the entire life of the financial asset (lifetime expected loss): therefore, compared to IAS 39, there is a transition from the incurred loss estimate over a 12 month time horizon to an estimate that takes into consideration the entire residual life of the loan; furthermore, since the IFRS 9 also requires the calculation of the expected lifetime loss to be made according to forward-looking estimates, it is necessary to consider the scenarios associated with macroeconomic variables (e.g. GDP, unemployment rate, inflation, etc.) that are capable of estimating forecasts for the entire residual term of the loan through a macroeconomic statistical model;
- stage 3: the expected loss must be calculated on a lifetime perspective but, unlike the positions in stage 2, the lifetime expected loss is calculated through an analytical method; for exposures classified as non-performing or unlikely to pay of an amount lower than €30,000, for past due and/or overdrawn impaired exposures and for off-balance sheet exposures, the calculation of the expected lifetime loss is normally carried out using an individual-flat rate method.

Risk parameters (PD, LGD and EAD) are calculated based upon the impairment models. In order to improve the coverage of originally unrated loans originated after 2006, the default rates made available by Banca d'Italia were used[5]. Banca d'Italia calculates the ECL according to the allocation stage, for each exposure, with respect to on-balance sheet and off-balance sheet credit exposures.
The Bank incorporated the macroeconomic scenarios updated as at July 2023 into its own IFRS 9 impairment model for the purpose of calculating expected losses as at 31 December 2023, thus including the effects of the Russia-Ukraine conflict and uncertainty in the evolution of the economic environment.

For further details, please refer to Part A "Accounting policies", section 4 "Other aspects", paragraph 4.6 - “Risks, uncertainties, impacts and methods of application of the international accounting standards in the current context” of these Notes.

Ordinary customers segment
The drivers that are common to all the approaches identified for the construction of the PD input, concern:

- estimation of the 12-month PD developed through the construction of an appropriately segmented, statistical model based on the type of counterparty and on the geographical area where the Bank operates;
- the inclusion of forward looking scenarios, through the application to the PD Poin in Time (PiT) of multipliers defined by the "Satellite Model” and definition of a series of potential scenarios capable of incorporating current and future macroeconomic conditions;
- the transformation of the 12 month-PD into a lifetime PD, in order to estimate a term structure of the PD along the entire residual life class of the loans.

The drivers that are common to all the approaches identified for the construction of the LGD input, concern:

- a consortium-type model, properly segmented according to the geographical area where the Bank operates, that consists of two parameters: the Danger Rate (DR) and the Non-performing LGD (LGS);
- the IFRS 9 Danger Rate parameter is estimated starting from a set of administrative status transition matrices with a one year observation horizon. These matrices were calculated on a set of counterparties with a segmentation in line with that used for the development of PD models. The DR parameter, like the PD, is conditional upon the economic cycle, based on possible future scenarios, so as to incorporate assumptions of future macroeconomic conditions;
- the nominal LGS parameter is calculated as the arithmetic average of the nominal LGS, segmented by type of guarantee, and subsequently discounted based on the average recovery times observed for clusters of loans consistent with those of the nominal non-performing LGD.

The adopted EAD IFRS 9 model differs according to the macro type of technical form and the stage where the exposure has been classified. In order to estimate the EAD parameter over the lifetime horizon of loans with repayment by instalment it is necessary to consider the contractual repayment flows, for each year of the residual life of the loan. A further element that influences the future values of the EAD, i.e. the progressive repayment of instalment loans according to their contractual amortization plan, is the prepayment rate (a parameter that reflects early and partial termination events with respect to the contractual expiration date).

[5] In 2018, Banca d'Italia made available a historical series of default rates starting from 2006, broken down by a number of drivers (region, amount range, economic sector ..) and developed based on a broader definition than just positions reclassified as non-performing.

The Bank has provided for the allocation of the individual on- and off-balance sheet exposures in one of the 3 stages listed below based on the following criteria:

- in stage 1, exposures with generation date prior than three months as of the measurement date or that do not have any of the characteristics described in the following paragraph;
- in stage 2, exposures that have at least one of the characteristics described below at the reference date:
  - exposures for which there has been a 200% increase in PD since origination;
  - presence of the 'Forborne performing' attribute;
  - presence of exposures that are past due and/or overdrawn for more than 30 days;
  - exposures (with no 'lifetime PD' on the date of disbursement) that do not have the characteristics to be identified as 'Low Credit Risk' (or performing exposures that at the valuation date have the following characteristics: no lifetime PD at the date of disbursement and rating class at the reporting date less than or equal to 4[6]).
- in stage 3, non-performing loans. These are the individual exposures relating to counterparties classified in one of the impaired loan categories envisaged by Banca d'Italia Circular no. 272/2008, as updated. This category includes impaired past due and/or overdrawn exposures, unlikely to pay and non-performing loans.

With regard to the allocation of performing loans to the "stages" required by IFRS 9, the breakdown of the performing loan portfolio, which accounted for 84% of total outstanding loans, was as follows in the financial statements as at 31 December 2023:

- Stage 1: loans included in this risk stage, net of the associated value adjustments, accounted for 76% of the Bank's performing portfolio and 64% of total net loans.
- Stage 2: loans included in this risk stage, net of the associated value adjustments, accounted for 24% of the Bank's performing loans and 20% of total loans.

At 31 December 2023, the composition of the Bank's Stage 2 portfolio, essentially attributable to automatic classification triggers, is broken down as follows:

- 48% consists of performing positions with high risk of deterioration, classified "under observation" (watch-list) for a gross amount of €705 thousand;
- 42% consists of forborne positions for a gross amount of €625 thousand;
- 9% is represented by exposures that recorded an increase in their Lifetime PD with respect to origination for a gross amount of €130 thousand;
- the remaining 1% portion consists of positions with no rating at origination (for a gross amount of €7 thousand), and of past due exposures by over 30 days (for a gross amount of €8 thousand).

Interbank segment

The Bank has adopted a model developed on a statistical basis. The PD parameter is provided by an external provider and extrapolated from listed credit spreads or quoted bonds.

The LGD parameter was prudently set by applying the 45% regulatory level for IRB.

For the EAD, logics similar to those applied for the ordinary customer model were applied. It should be noted that a prepayment parameter was applied to interbank loans, in line with the underlying technical forms and with regard to the specific nature of the relationships underlying this segment.

The Bank has provided for the allocation of the individual exposures to the 3 stages, in the same way as with loans to customers. The 'Low Credit Risk' status is defined for performing exposures which at the valuation date have the following characteristics: no "Lifetime PD" on the date of disbursement and PD Point in Time of less than 0.3%. Stage 2 is defined on the basis of PD variations between origination and reporting of 200%.

Securities portfolio

The PD parameter is provided by an external provider based on two approaches:

- point-in-time: the default probability term structure for each issuer is obtained from listed credit spreads (CDS) or listed bonds;
- comparable: where market data do not allow for the use of specific credit spreads, since there are none or they are illiquid or not significant, the default probability term structure associated with the

[6] The rating model includes 13 classes.

issuer is obtained through a proxy method. This method compares the issuer in question to a comparable issuer for which specific credit spreads are available or to a reference cluster for which it is possible to estimate a representative credit spread.

The LGD parameter is assumed to be constant for the entire life of the financial asset under analysis and is obtained on the basis of 4 factors: issuer and instrument type, instrument ranking, instrument rating and issuer's country. The minimum level starts at 45%, with subsequent increases to take into account the different seniority levels of the securities.

The Bank has provided for the allocation of the individual purchased tranches of securities in 3 stages.
The first credit worthiness stage comprises: the tranches that can be classified as 'Low Credit Risk' (that is, those with PD at the reporting date below 0.26%) and those securities which had no significant increase in credit risk at the measurement date compared to the time of purchase;
The second stage include tranches which at the valuation date show an increase in credit risk compared to the date of purchase.
The third and final stage includes the tranches for which the ECL is calculated following the application of a 100% probability (i.e. in default).

2.4 Credit risk mitigation techniques

Risk mitigation techniques encompass instruments that contribute to reduce the loss the Bank would bear in the event of insolvency of the counterparty; they include, in particular, the guarantees and some contracts that determine a reduction in credit risk.

In accordance with the credit objectives and policies defined by the Board of Directors, the credit risk mitigation technique most used by the Bank consists in obtaining different types of real, personal and financial guarantees.
These forms of guarantee are requested according to the outcome of the assessment of customer creditworthiness and the type of credit line requested by said customers. As part of the loan approval and management process, the presence of mitigating factors is encouraged for counterparties with a less favourable credit rating or for certain medium/long-term types of loans.

In order to limit the risks of the protection ceasing to exist or expiring, specific safeguards are in place such as: restoration of the pledge where the initial value of the assets has decreased or, for mortgage guarantees, obligation of insurance coverage against damage from fire, as well as adequate monitoring of the value of the property.

With respect to activities on securities markets, considering that the portfolio tends to be made up of major issuers with high credit standing, no special forms of credit risk mitigation are currently required.

The main concentration of collateral (mainly mortgages) is linked to loans to retail customers (medium and long term).
The Bank established that lending transactions are backed by various types of guarantees according to the type of loan granted:
- personal guarantees;
- collateral (mortgages and other collateral).

The acquisition of guarantees requires careful evaluation, not only to determine the guarantees' value, on which the maximum amount of credit that can be extended is based, but also to verify any restrictions or impediments that might in some way limit their validity.

Guarantees secured by assets
With regard to collateral types, the Bank accepts the following guarantees:
- mortgages;
- pledge on deposits in euros or foreign currency;
- pledge on securities.

In terms of acquisition, assessment and management of the main forms of collateral, the company policies and procedures ensure that these guarantees are always obtained and managed in a way that ensures they are binding in all relevant jurisdictions and enforceable within reasonable time.

In this respect, the Bank abides by the following relevant principles:
- the property value does not depend to a significant extent on the debtor's creditworthiness;
- the independence of the expert in charge of carrying out the appraisal of the property;
- an insurance coverage has been taken out against the risk of damage to the property which is the object of the guarantee;
- adequate monitoring of the value of the property has been put in place, to verify that the requirements that permit the Bank to benefit from a lower capital absorption on guaranteed exposures are satisfied over time;
- the intended use of the property and the debtor's ability to repay.

The process of monitoring the value of the property which is the object of the guarantee is carried out using statistical methods.
In this regard, the assessment is carried out:
- at least every 3 years for residential properties;
- annually for non-residential properties.

For significant exposures (that is, for an amount exceeding € 3 million or 5 per cent of the Bank's own funds) the assessment is in any case reviewed by an independent expert at least every 3 years.

With regard to financial guarantees, the Bank, based on the policies and processes for managing credit risk and the defined limits and operating powers, directs the acquisition of these guarantees exclusively if the underlying financial assets are such that the company is able to calculate the fair value at least every six months (or whenever there are elements that suggest that a significant decrease in fair value has occurred).
A discount on market value is applied to the securities pledged as collateral, to an extent related to the nature of the securities. The Bank may accept securities as collateral at its own discretion, and can apply higher discounts to the securities it deems riskier.
The monitoring of financial collateral, in the case of pledges on securities, involves the continuous monitoring of the issuer's rating and the assessment of the fair value of the financial instrument given as collateral. An adjustment of the guarantee is requested when the market value is lower than the resolution value less the required discount.
The guarantee may also consist of a cash balance, in which case no discount is applied.

Personal guarantees
With regard to personal guarantees, sureties on first demand are accepted, issued by Italian and foreign banks or by natural or legal persons of proven solvency.

The main types of guarantors are entrepreneurs and company partners related to the debtor as well as, in the case of loans granted to sole proprietorships and / or natural persons (consumers and non-consumers), also relatives of the debtor. Less frequently the risk of insolvency is covered by personal guarantees provided by other companies (generally companies that are part of the same economic group of the debtor), or by financial institutions and insurance companies.

In the case of loans to parties belonging to certain economic categories (small business owners, traders, etc.) the Bank obtains specific guarantees (first demand or ancillary guarantees) from Confidi (credit guarantee consortia registered in the special list pursuant to Article 107 of the TUB) and from Medio Credito Centrale.

If a financing proposal includes personal guarantees from third parties, the preliminary investigation also extends to the latter party. In particular, depending on the type and amount of the guaranteed loan, the following analysis and inquiries are made:
- the financial and income situation of the guarantor, including by consulting the appropriate databases;
- exposure to the banking system;
- the information in the bank's information system;
- whether the guarantor is part of a group and the group’s overall exposure.

The Bank does not deal with OTC derivatives and has not entered into bilateral netting arrangements.

3. Impaired credit exposures

3.1 Management strategies and policies

The Bank has in place regulatory / IT structures and procedures for the management, classification and control of loans.
Consistently with IAS / IFRS regulations, at each reporting date any objective evidence of impairment is verified for each instrument or group of financial instruments.
Impaired financial assets include loans when there is any objective evidence of impairment as a result of circumstances occurring after initial recognition.
Based on the current regulatory framework, supplemented by the internal implementing provisions, impaired financial assets are classified according to the level of criticality in three main categories:

- non-performing loans: the Bank's credit exposures with counterparties in a state of insolvency (including if not adjudicated in court), or in substantially similar situations, irrespective of any collateral pledged to secure the exposures and of the loss projections made;
- unlikely to pay: credit exposures, other than non-performing loans, for which it is considered unlikely that, without recourse to enforcement actions, such as the enforcement of collateral, the debtor will meet its credit obligations in full, either as to principal and/or interest, regardless of any past due and unpaid amounts/instalments;
- Impaired past due and/or overdrawn: credit exposures, other than those classified as non-performing or unlikely to pay, that show a past due and/or overdrawn position. The overall exposure to a borrower is recognised as impaired past due and/or overdrawn, in accordance with Delegated Regulation (EU) no. 171/2018 of the European Commission of 19 October 2017, if the amount of principal, interest or commissions that is unpaid as at the date it was due exceeds both the following thresholds: a) absolute limit of Euro 100 for retail exposures and of Euro 500 for non-retail exposures; b) relative limit of 1% obtained as the ratio of the total amount past due and/or overdrawn at group level to the total amount of all credit exposures to the same debtor.

The further category of "forborne exposures" is also envisaged, which refers to exposures that are subject to renegotiation and/or refinancing due to manifest or forthcoming financial difficulty, as better explained in paragraph 4 "Financial assets subject to commercial renegotiations and forborne exposures".

In keeping with the Guidelines for Italian Less significant banks regarding the management of impaired loans published by Banca d'Italia on 30 January 2018, the bank adopted a specific "Policy for the management of impaired loans" which, in addition to defining criteria for their classification and measurement, outlines a specific strategy aimed at optimizing NPL management through the maximization of the present value of recoveries taking into account the Bank's management capabilities, the external environment, the characteristics of impaired portfolios, the costs associated with managing them and the indirect costs associated with maintaining a high level of NPLs.
This strategy comprises a short-term (1 year) and a medium/long term (3 years) operating plan in line with the strategic objectives set by the Bank.

The Credit Control and Litigation department has been tasked with the monitoring, classification, assessment and overall management of impaired loans.
That activity mainly consists in:

- monitoring the positions, supporting the branches that are in charge of 1st level controls;
- defining, in agreement with the Branch Manager, the actions necessary to bring the performing positions back to regular performance as soon as they show the first signs of anomaly;
- managing positions as soon as they qualify as "impaired exposures";
- Identifying and recommending adjustments to the exposures to the relevant bodies;
- register the positions as "unlikely to pay" and / or "non-performing" subject to prior authorization by the relevant bodies.

The classification is also implemented through automated procedures when predetermined default conditions are triggered, in particular as regards past due and/or overdrawn exposures, depending on the continuous past due and/or overdrawn amount and period.
The return to performing status of exposures classified as unlikely to pay and NPLs, governed by the Supervisory Authority and by specific internal regulations, is made upon recommendation of Credit Control and Litigation to the Chief Executive Officer, after verifying that the anomalies leading to the classification of exposures as impaired financial assets no longer apply and the stability of the new counterparty's situation.

With regard to exposures classified as "Past due and overdrawn loans" the return to performing status takes place automatically when payment is received.
For the purposes of determining the recoverable value of impaired loans, the Bank has defined the valuation process within the aforementioned Policy, based on expected cash flows, expected recovery times and the estimated realizable value of the guarantees, if any, the modification of which may entail a change in recoverable value; this calculation is based on the information available as at the valuation date.
The adjustment for each loan is determined as difference between the carrying amount at the time of measurement (amortised cost) and the current value of estimated future cash flows, calculated by applying the original actual interest rate.
This assessment is made at the time the exposures are classified, when relevant events occur and is, however, reviewed periodically in accordance with criteria and procedures laid down by the credit policies adopted.
Specifically: impaired loans classified as unlikely to pay and non-performing loans are subject to an analytical assessment by the Credit Control and Litigation department.

Impaired overdue loans are subject to a flat-rate assessment, using the same methodology as for the impairment of "performing" receivables; if an actual loss is expected, a write-down of the individual account is carried out.

The management and recovery of non-performing loans is carried out by the Credit Control and Litigation Office, with the support of external legal advisors in order to pursue the best solutions for recovering the debt.

The loan assessment is subject to review whenever the Bank becomes aware of significant events that can alter the prospects of recovery.

With respect to the main management control processes, being aware that the cost of risk is one of the most significant variables in determining current and future economic results, special attention is paid to the necessary consistency of the assumptions underlying the estimates of the multi-year plan and the annual budget (developed on the basis of expected macroeconomic and market scenarios), of the ICAAP and the RAF and those taken as reference for determining accounting provisions.

The Risk Management Department is responsible for assessing the consistency of the classifications, the adequacy of provisions and the effectiveness of the recovery process; it also verifies the correct application of valuation parameters laid down by internal regulations for non-performing loans subject to individual assessment. More specifically, it verifies the correct application of the criteria envisaged for assessing:

- loans secured by real estate collateral;
- loans secured by lien;
- loans secured by guarantees provided by consortia /MCC;
- loans secured by principal obligor and/or by guarantors by way of surety who own real estate assets that may be seized (both in the case of classification as unlikely to pay and as non-performing);
- unsecured loans to individuals without seizable assets;
- unsecured loans to sole proprietorships, partnerships and companies.

3.2 Write-offs

The Bank’s rules regarding write-offs are outlined in the Credit Regulation. When there are no longer any reasonable expectations of recovering a receivable, this must be "written off". The event that triggers the write-off may occur before the legal actions for non-performing loan recovery have been completed and does not entail a waiver for the bank to recover its claim.

The write-off can concern the entire amount of the receivable or a portion of it and corresponds to:

- the reversal of total value adjustments, with contra-entry to the gross value of the receivable;
- the impairment loss on the receivable recognized directly in the income statement, for the amount exceeding the total value adjustments.

Any recoveries from collection after the write-off, are recognized in the income statement.

The Bank writes off uncollectible positions and recognizes the losses of the residual unadjusted amount in the following cases:

- the receivable is found to be uncollectible on the basis of certain and precise elements (such as, by way of example, the unknown abode or lack of means of the debtor, failed recoveries from levy of

execution against land and chattels, failed foreclosures, insolvency proceedings closed with incomplete relief for the Bank, if there are no further enforceable guarantees, etc.);
- assignment of debt;
- waiver of receivable, as a result of unilateral relief of debt or residual amount on the basis of settlement agreements.

As regards the application of write-offs to non-performing loans, the Bank opted for this solution for the full amount of 2 positions for which the non-recoverability of the receivable had become certain, and partially for 1 position.
The impact on the income statement amounted to approx. €77 thousand.

3.3. Impaired financial assets acquired or originated

The acquisition of impaired financial assets is not part of the Bank's business model.

4. Financial assets subject to commercial renegotiations and forborne exposures

The impaired forborne exposure category (non-performing forborne exposures) is not a distinct or additional category of impaired exposures with respect to those previously mentioned (non-performing, unlikely to pay, past due) but it is a subset of each of them, which includes on-balance sheet exposures and commitments to disburse funds that are the subject of forbearance measures (forborne exposure), if they meet both of the following conditions:
a) the debtor is in a situation of financial difficulty that prevents them from fully complying with the contractual commitments set out in their loan agreement and such as to amount to a "credit deterioration" (classified in one of the impaired exposure categories: non-performing, unlikely to pay, past due and/or overdrawn for more than 90 days),
b) and the bank agrees to amend the terms and conditions of the loan agreement, or to totally or partially refinance the loan, such that the debtor can comply with it (such concession would not have been granted if the debtor had not been in a state of difficulty).
Forborne exposures towards debtors who are in a difficult financial situation other than a “credit deterioration” are instead classified in the “other forborne exposure” category (“forborne performing exposure”) and are classified under “Other non-impaired exposures”, or under “Non-impaired overdue exposures” if they meet the requirements for this classification.

In terms of the Bank's internal regulations, after having ascertained that a forbearance measure appears to comply with the forbearance requirements, the forborne exposure attribute is assigned as follows:
- “forborne performing” when both the following conditions occur:
  - the debtor was classified as performing before the forbearance resolution;
  - the debtor has not been reclassified by the Bank among the non-performing counterparties due to the forbearance measures granted;
- “forborne non performing” when at least one of the following conditions occurs:
  - the debtor was classified as non-performing before the forbearance resolution;
  - the debtor has been reclassified under non-performing exposures, due to the forbearance measures granted, including the cases in which (in addition to the other regulatory cases), following the assessment, significant impairment losses have arisen.

For the purposes of the reclassification of forborne non-performing exposures, there must be compliance with a "cure period" of one year starting from the date the measures were granted together with the borrower’s conduct showing that there are no longer any critical issues concerning the full repayment of the debt. Therefore, the Credit and Litigation Control Office performs an analysis of the debtor to verify that all the following criteria are satisfied:
1) the exposure is not considered impaired or in default;
2) there is no evidence of overdue amounts;
3) the debtor has repaid, through regular payments, an amount equal to the total of all the amounts previously overdue (if any at the date of granting the forbearance measures) or equal to the amount written-off according to the forbearance measures (in the absence of overdue amounts), or has otherwise demonstrated their ability to comply with the conditions set for the period following the granting of the forbearance measures. In the latter case, for the purposes of the assessment, the presence of arrears with respect to other intermediaries should also be considered.

A credit exposure classified as forborne performing becomes forborne non-performing when even just one of the following conditions is met:

- the prerequisites for classifying the counterparty among impaired loans are met;
- the credit exposure was previously classified as impaired with a forborne non-performing attribute and subsequently, the conditions having been met, the counterparty was placed under observation (with simultaneous transfer of the credit line in question to forborne performing), but: i) during the period it qualified as forborne performing, one of the credit lines of the financed counterparty has become past due for more than 30 days; or ii) during the period it qualified as forborne performing, the counterparty holding the line in question is subject to the application of further forbearance measures.

In order for a credit exposure classified as “forborne performing” to lose this attribute, with consequent return to performing, the following conditions must be met simultaneously:

- an analysis of the debtor's financial situation shows that the transactions no longer meet the conditions that qualify them as impaired;
- at least two years have elapsed (*Probation period)* from the nearest of the date the forbearance measure was granted and the date of exit from the classification as impaired exposure;
- the debtor has made regular payments (both principal and interest) to an extent greater than an irrelevant aggregate amount of principal and interest for at least half of the observation period;
- with respect to the debtor, there are no transactions with amounts past due by more than 30 days at the end of the observation period.

In 2023 the Bank applied concessions in favour of 6 counterparties.
As at 31/12/2023, forborne exposures consisted of 11 performing and 6 non-performing positions.

Quantitative information

A. Credit quality

Equity securities and UCITS units are excluded for the purpose of quantitative information on credit quality.
The term "on-balance-sheet exposures" means all on-balance-sheet financial assets held with respect to banks or customers, whatever their accounting portfolio allocation (measured at fair value through profit or loss, measured at fair value through other comprehensive income, measured at amortized cost, financial assets held for sale).

The term "off-balance sheet credit exposures" means all financial transactions other than cash transactions (financial guarantees issued, revocable and irrevocable commitments, derivatives, etc.) that involve the assumption of credit risk, whatever the purpose of such transactions (trading, hedging, etc.). Off-balance sheet credit exposures also include the counterparty risk associated with securities lending transactions. Likewise, where necessary, they include the counterparty risk associated with exposures inherent in repurchase agreements, in the giving or taking of goods on loan, as well as in margin loans falling under the notion of “SFT Transactions” (Securities Financing Transactions) defined in prudential regulations.

Impaired credit exposures (on-balance sheet and off-balance sheet) do not include financial assets held for trading and hedging derivatives, which are therefore, conventionally, recognized among non-impaired credit exposures.

A.1 Impaired and non-impaired credit exposures: amount, value adjustments, changes and breakdown by type of business

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

(€/000)

Portfolio/Quality	Non-performing loans	Unlikely to pay	Impaired overdue exposures	Non-impaired overdue exposures	Other non-impaired exposures	Total
1. Financial assets measured at amortised cost	340	485	283	118	22,985	**24,211**
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	-	-
5. Discontinuing operations	-	-	-	-	-	-
Total 2023	**340**	**485**	**283**	**118**	**22,985**	**24,211**
Total 2022	**598**	**811**	**56**	**177**	**30,949**	**32,591**

At the reporting date, the portfolio "1. Financial assets measured at amortized cost” included forborne exposures for approximately €889 thousand (of which €292 thousand impaired and €597 thousand not impaired), entirely attributable to credit loans and advances to customers.
In particular, the breakdown of forborne exposures according to credit quality was as follows:

- €21 thousand included in the unlikely to pay category;
- €271 thousand included in the impaired overdue exposures;
- €597 thousand included in the other non-impaired exposures.

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(€/000)

Portfolio/Quality	Impaired				Non-impaired			Total (net exposure)
	Gross exposure	Overall adjustments	Net exposure	Overall partial write-offs (*)	Gross exposure	Overall adjustments	Net exposure	
1. Financial assets measured at amortised cost	2,118	1,010	1,108	176	23,258	155	23,103	24,211
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	-	-
5. Discontinuing operations	-	-	-	-	-	-	-	-
Total 2023	**2,118**	**1,010**	**1,108**	**176**	**23,258**	**155**	**23,103**	**24,211**
Total 2022	**2,605**	**1,140**	**1,465**	**148**	**31,356**	**230**	**31,126**	**32,591**

Portfolio/Quality	Assets of manifest poor credit quality		Other assets
	Accrued capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	197
2. Hedging derivatives	-	-	-
Total 2023	**-**	**-**	**197**
Total 2022	**-**	**-**	**194**

** Value to be displayed for information purposes*

A.1.3 Breakdown of financial assets by past due ranges (book values)

(€/000)

Portfolios/risk stages	First stage			Second stage			Third stage			Impaired acquired or originated		
	1 to 30 days	From over 30 to 90 days	Over 90 days	1 to 30 days	From over 30 to 90 days	Over 90 days	1 to 30 days	From over 30 to 90 days	Over 90 days	1 to 30 days	From over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost	48	-	-	63	5	1	58	375	599	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-
Total 2023	**48**	**-**	**-**	**63**	**5**	**1**	**58**	**375**	**599**	**-**	**-**	**-**
Total 2022	**73**	**-**	**-**	**70**	**33**	**1**	**68**	**53**	**1,014**	**-**	**-**	**-**

A.1.4 Financial assets, commitments to disburse funds and financial guarantees given: changes in total value adjustments and total provisions

(€/000)

Reasons/risk stages	Overall adjustments																								Total provisions on commitments to grant finance and financial guarantees granted				Total
	Assets falling in the first stage						Assets falling in the second stage						Assets falling in the third stage						Impaired financial assets acquired or originated									
	Loans to banks and Central Banks (sight)	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks (sight)	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks (sight)	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Discontinuing operations	of which: individual write-downs	of which: collective write-downs	First stage	Second stage	Third stage	Commitments to grant finance and financial guarantees - impaired acquired or		
Opening overall adjustments	3	86	4	-	-	93	24	139	-	-	-	163	-	1,140	-	-	1,140	-	-	-	-	-	-	5	1	-	-	**1,402**	
Increases from financial assets acquired or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X	X	X	X	-	-	-	-	-	
Eliminations other than write-offs	-	-18	-4	-	-	-22	-	-	-	-	-	-	-	-2	-	-	-2	-	-	-		-	-	-	-	-	-	**-24**	
Net adjustments/ write-backs for credit risk (+/-)	-2	27	-	-	-	25	-12	-83	-	-	-	-95	-	-63	-	-	-63	-	-	-	-	-	-	-3	-	-	-	**-136**	
Contractual amendments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	

not derecognised																												
Changes in the estimate methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-65	-	-	-65	-	-	-	-	-	-	-	-	-	-	**-65**
Other changes	-	2	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**2**
Closing overall adjustments	1	97	-	-	-	98	12	56	-	-	-	68	-	1,010	-	-	1,010	-	-	-	-	-	-	2	1	-	-	**1,179**
Recoveries from collection of financial assets written-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Write-offs directly recorded in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	16	-	-	16	-	-	-	-	-	-	-	-	-	-	**16**

A.1.5 Financial assets, commitments to disburse funds and financial guarantees given: transfers between credit risk stages (gross and nominal amounts)

(€/000)

Portfolios/risk stages	**Gross values/par value**					
	Shifts between first and second stage		**Shifts between second and third stage**		**Shifts between first and third stage**	
	From first to second stage	**From second to first stage**	**From second to third stage**	**From third to second stage**	**From first to third stage**	**From third to first stage**
1. Financial assets measured at amortised cost	827	171	298	48	24	3
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Discontinuing operations	-	-	-	-	-	-
3. Commitments to grant finance and financial guarantees granted	21	7	-	-	-	-
Total 2023	**848**	**178**	**298**	**48**	**24**	**3**
Total 2022	**7,162**	**153**	**29**	**-**	**313**	**-**

A.1.6 On- and off-balance sheet exposures with banks: gross and net values

(€/000)

Type of exposure/amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Overall partial write-offs*
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON-BALANCE SHEET EXPOSURES												
A.1 Sight	**13,485**	**10,395**	**3,090**	**-**	**-**	**13**	**1**	**12**	**-**	**-**	**13,472**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Non-impaired	13,485	10,395	3,090	-	-	13	1	12	X	-	13,472	-
A.2 OTHER	**9,474**	**9,260**	**214**	**-**	**-**	**16**	**15**	**1**	**-**	**-**	**9,458**	**-**
A) Non-performing	-	**X**	-	-	**X**	-	**X**	-	-	-	-	-
of which: forborne exposures	-	X	-	-	X	-	X	-	-	X	-	-
b) Unlikely to pay	-	X	-	-	X	-	X	-	-	X	-	-
of which: forborne exposures	-	X	-	-	X	-	X	-	-	X	-	-
c) Impaired overdue exposures	-	X	-	-	X	-	X	-	-	X	-	-
of which: forborne exposures	-	X	-	-	X	-	X	-	-	X	-	-
d) Non-impaired overdue exposures	-	-	-	X	-	-	-	-	X	-	-	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	9,474	9,260	214	X	-	16	15	1	X	-	9,458	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**22,959**	**19,655**	**3,304**	**-**	**-**	**29**	**16**	**13**	**-**	**-**	**22,930**	**-**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
a) Non-impaired	121	121	-	X	-	-	-	-	X	-	121	-
TOTAL (B)	**121**	**121**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**121**	**-**
TOTAL (A+B)	**23,080**	**19,776**	**3,304**	**-**	**-**	**29**	**16**	**13**	**-**	**-**	**23,051**	**-**

** Value to be displayed for information purposes*

A.1.7 On- and off-balance sheet exposures with clients: gross and net values

(€/000)

Type of exposure/amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Overall partial write-offs*
		First stage	Second stage	Third stage	Impaired acquired or originated		First stage	Second stage	Third stage	Impaired acquired or originated		
A. ON-BALANCE SHEET EXPOSURES												
A) Non-performing	939	X	-	939	-	599	X	-	599	-	340	31
of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	858	X	-	858	-	373	X	-	373	-	485	145
of which: forborne exposures	32	X	-	32	-	11	X	-	11	-	21	-
c) Impaired overdue exposures	321	X	-	321	-	38	X	-	38	-	283	-
of which: forborne exposures	305	X	-	305	-	34	X	-	34	-	271	-
d) Non-impaired overdue exposures	128	50	78	X	-	10	2	8	X	-	118	-
of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other non-impaired exposures	13,656	12,259	1,397	X	-	129	80	49	X	-	13,527	-
of which: forborne exposures	625	-	625	X	-	28	-	28	X	-	597	-
TOTAL (A)	**15,902**	**12,309**	**1,475**	**2,118**	-	1,149	82	57	1,010	-	14,753	**176**
B. OFF-BALANCE SHEET EXPOSURES												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
B) Non-impaired	236	207	29	X	-	3	2	1	X	-	233	-
TOTAL (B)	**236**	**207**	**29**	**X**	**-**	**3**	**2**	**1**	**-**	**-**	**233**	**-**
TOTAL (A+B)	**16,138**	**12,516**	**1,504**	**2,118**	**-**	**1,152**	**84**	**58**	**1,010**	**-**	**14,986**	**176**

** Value to be displayed for information purposes*

A.1.8 On-balance sheet credit exposures with banks: changes in gross impaired exposures

There were no impaired exposures with banks at the reporting date.

A.1.8bis On-balance sheet credit exposures with banks: changes in gross forborne exposures broken down by credit quality

At the reporting date, there were no on-balance-sheet forborne exposures to banks.

A.1.9 On-balance sheet credit exposures with customers: changes in gross impaired exposures

(€/000)

Transactions/Categories	Non-performing loans	Unlikely to pay	Impaired overdue exposures
A. Opening gross exposure	**1,122**	**1,417**	**66**
- of which: exposures disposed of (not derecognised)	-	-	-
B. Increases	**369**	**77**	**310**
B.1 transfers from non-impaired exposures	-	18	299
B.2 transfers from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other categories of impaired exposures	342	14	-
B.4 Contractual amendments not derecognised	-	-	-
B.5 other increases	27	45	11
C. Decreases	**552**	**636**	**55**
C.1 transfers to non-impaired exposures	-	39	18
C.2 Write-offs	81	-	-
C.3 repayments	446	255	23
C.4 revenue from disposals	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other categories of impaired exposures	-	342	14
C.7 Contractual amendments not derecognised	-	-	-
C.8 other decreases	25	-	-
D. Closing gross exposure	**939**	**858**	**321**
- of which: exposures disposed of (not derecognised)	-	-	-

A.1.9bis On-balance sheet credit exposures with customers: changes in gross forborne exposures broken down by credit quality

(€/000)

Transactions/Quality	Forborne exposures: impaired	Forborne exposures: non-impaired
A. Opening gross exposure	**404**	**1,261**
-	-	-
B. Increases	**344**	**97**
B.1 transfers from non-impaired non-forborne exposures	18	-
B.2 transfers from non-impaired forborne exposures	299	X
B.3 transfers from impaired forborne exposures	X	51
B.4 transfers from impaired non-forborne exposures	-	-
B.5 other increases	27	46
C. Decreases	**412**	**733**
C.1 transfers to non-impaired non-forborne exposures	X	18
C.2 transfers to non-impaired forborne exposures	51	X
C.3 transfers to impaired forborne exposures	X	299
C.4 Write-offs	-	-
C.5 repayments	18	404
C.6 revenue from disposal	-	-
C.7 losses on disposal	-	-
C.8 other decreases	342	12
D. Closing gross exposure	**337**	**625**
- of which: exposures disposed of (not derecognised)	-	-

A.1.10 On-balance sheet impaired exposures with banks: changes in total value adjustments

There were no on-balance sheet impaired exposures with banks at the reporting date.

A.1.11 On-balance sheet impaired exposures with customers: changes in total value adjustments

(€/000)

Transactions/Categories	Non-performing loans		Unlikely to pay		Impaired overdue exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening overall adjustments	**524**	**-**	**607**	**221**	**10**	**3**
- of which: exposures disposed of (not derecognised)	-	-	-	-	-	-
B. Increases	**247**	**-**	**47**	**11**	**36**	**33**
B.1 Adjustments from impaired financial assets acquired or originated	-	X	-	X	-	X
B.2 other adjustments	195	-	44	11	4	2
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfers from other categories of impaired exposures	52	-	3	-	-	-
B.5 Contractual amendments not derecognised	-	-	-	-	-	-
B.6 other increases	-	-	-	-	32	31
C. Decreases	**172**	**-**	**281**	**221**	**8**	**2**
C.1 write-backs from valuation	114	-	218	165	-	-
C.2. write-backs for repayments	19	-	5	-	-	-
C.3 profits on disposals	-	-	-	-	-	-
C.4 Write-offs	39	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	52	52	3	-
C.6 Contractual amendments not derecognised	-	-	-	-	-	-
C.7 other decreases	-	-	6	4	5	2
D. Closing overall adjustments	**599**	**-**	**373**	**11**	**38**	**34**
- of which: exposures disposed of (not derecognised)	-	-	-	-	-	-

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees given based on external and internal ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by external ratings (gross amounts)

(€/000)

Exposures	External rating classes						Unrated	Total
	Aaa/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	< B3		
A. Financial assets measured at amortised cost	**-**	**-**	**9,818**	**7,261**	**-**	**-**	**8,297**	**25,376**
- First stage	-	-	9,818	7,261	-	-	4,490	**21,569**
- Second stage	-	-	-	-	-	-	1,689	**1,689**
- Third stage	-	-	-	-	-	-	2,118	**2,118**
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
C. Discontinuing operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
Total (A + B + C)	**-**	**-**	**9,818**	**7,261**	**-**	**-**	**8,297**	**25,376**
of which: impaired financial assets acquired or originated	-	-	-	-	-	-	-	-
D. Commitments to grant finance and financial guarantees granted	**-**	**-**	**-**	**-**	**-**	**-**	**357**	**357**
- First stage	-	-	-	-	-	-	328	**328**
- Second stage	-	-	-	-	-	-	29	29
- Third stage	-	-	-	-	-	-	-	-
Total D	**-**	**-**	**-**	**-**	**-**	**-**	**357**	**357**
Total (A + B + C + D)	**-**	**-**	**9,818**	**7,261**	**-**	**-**	**8,654**	**25,733**

The risk classes for external ratings in this table refer to those used by the agency Moody's.

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees given: by internal ratings (gross amounts)

This table is not provided, since the Bank used no internal rating models to manage credit risk.

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.1 On- and off-balance sheet guaranteed exposures with banks

This table is not provided, since the Bank has no secured on-balance sheet exposures with banks.

A.3.2 On- and off-balance sheet guaranteed exposures with customers

(€/000)

			Guarantees secured by assets (1)				Personal guarantees (2)									
							Credit derivatives					Credit commitments				
								Other derivatives								
	Gross exposure	Net exposure	Properties - mortgages	Properties - loans in finance lease	Securities	Other real guarantees	Credit Linked Notes	Central counterparties	Banks	Other financial companies	Other entities	Public Administrations	Banks	Other financial companies	Other entities	Total (1)+(2)
1. Guaranteed on-balance sheet exposures:	**7,531**	**6,540**	**5,096**	**-**	**171**	**39**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,127**	**6,433**
1.1 wholly secured	7,016	6,321	4,998	-	171	39	-	-	-	-	-	-	-	-	1,113	6,321
- of which impaired	1,527	939	759	-	-	-	-	-	-	-	-	-	-	-	180	939
1.2 partially secured	515	219	98	-	-	-	-	-	-	-	-	-	-	-	14	112
- of which impaired	407	114	-	-	-	-	-	-	-	-	-	-	-	-	14	14
2. Guaranteed off-balance sheet exposures:	**65**	**64**	**-**	**-**	**-**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**59**	**64**
2.1 wholly secured	60	59	-	-	-	-	-	-	-	-	-	-	-	-	59	59
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	5	5	-	-	-	5	-	-	-	-	-	-	-	-	-	5
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

(€/000)

	Derecognized credit exposure	Gross value	Overall adjustments	Book value	
					of which obtained during the year
A. Tangible assets	**-**	**-**	**-**	**-**	**-**
A.1. Functional assets	-	-	-	-	-
A.2. Investment property	-	-	-	-	-
A.3. Inventories	-	-	-	-	-
B. Equity securities and debt securities	-	-	-	-	-
C. Other assets	-	-	-	-	-
D. Non-current assets held for sale and disposal groups	**82**	**82**	**-**	**82**	**-**
D.1. Tangible assets	82	82	-	82	-
D.2. Other assets	-	-	-	-	-
Total 2023	**82**	**82**	**-**	**82**	**-**
Total 2022	**82**	**82**	**-**	**82**	**-**

At the reporting date, the assets acquired amounted to € 82 thousand.
In particular, the item "Tangible assets" refers to the enforcement occurred in 2018 of a mortgage on residential property securing a loan.

B. Breakdown and concentration of credit exposures

B.1 Segment distribution of on- and off-balance sheet exposures with clients

(€/000)

Exposures/ Counterparties	Public Administrations		Financial companies		Financial companies (of which: insurance companies)		Non-financial companies		Households	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	-	-	-	-	-	-	329	558	11	41
of which: forborne exposures	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	111	282	374	91
of which: forborne exposures	-	-	-	-	-	-	6	6	15	5
A.3 Impaired overdue exposures	-	-	-	-	-	-	1	1	282	38
of which: forborne exposures	-	-	-	-	-	-	-	-	271	34
A.4 Non-impaired exposures	3,279	1	2,666	12	-	-	4,429	77	3,271	48
of which: forborne exposures	-	-	-	-	-	-	229	12	298	16
Total (A)	**3,279**	**1**	**2,666**	**12**	**-**	**-**	**4,870**	**918**	**3,938**	**218**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	-	-	13	-	-	-	56	1	164	2
Total (B)	**-**	**-**	**13**	**-**	**-**	**-**	**56**	**1**	**164**	**2**
Total (A+B) 2023	**3,279**	**1**	**2,679**	**12**	**-**	**-**	**4,926**	**919**	**4,102**	**220**
Total (A+B) 2022	**3,376**	**1**	**4,809**	**9**	**-**	**-**	**7,792**	**1,133**	**5,101**	**211**

B.2 Geographical distribution of on- and off-balance sheet exposures with clients

(€/000)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures										
A.1 Non-performing loans	340	599	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	485	373	-	-	-	-	-	-	-	-
A.3 Impaired overdue exposures	283	38	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	12,639	138	1,006	1	-	-	-	-	-	-
Total (A)	**13,747**	**1,148**	**1,006**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	233	3	-	-	-	-	-	-	-	-
Total (B)	**233**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2023	**13,980**	**1,151**	**1,006**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2022	**19,977**	**1,350**	**1,100**	**4**	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Geographical distribution of on- and off-balance sheet exposures with banks

(€/000)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	**Overall adjustments**	**Net exposure**	**Overall adjustments**	**Net exposure**	**Overall adjustments**	**Net exposure**	**Overall adjustments**	**Net exposure**	**Overall adjustments**
A. On-balance sheet exposures										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired overdue exposures	-	-	-	-	-	-	-	-	-	-
A.4 Non-impaired exposures	21,923	28	1,204	1	-	-	-	-	-	-
Total (A)	**21,923**	**28**	**1,204**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired exposures	-	-	-	-	-	-	-	-	-	-
B.2 Non-impaired exposures	121	-	-	-	-	-	-	-	-	-
Total (B)	**121**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2023	**22,044**	**28**	**1,204**	**1**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2021	**23,058**	**45**	**4,214**	**2**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures

(€/000)

	2023	2022
a) Amount (book value)	27,169	32,288
b) Amount (weighted value)	14,076	24,583
c) Number	10	13

C. Securitization transactions

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to Section "C. Securitization transactions.

D. Disclosure related to unconsolidated structured entities (other than special purpose vehicles for securitization)

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - of Section "D. Disclosure related to unconsolidated structured entities (other than special purpose vehicles for securitization)".

E. Disposals

At the reporting date, there were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to Section "E. Disposals."

F. Credit risk measurement models

The Bank does not use internal models for measuring credit risk.

Section 2 – Market risks

Market risk is the general risk associated with the unpredictable performance of macro-economic variables. Therefore, the development of operations on the financial markets and trading in securities and currencies may lead to increased risks associated with changes in market prices that result in:

- Interest rate risk
- Price/equity risk
- Exchange rate risk

Before analysing each risk category, please note that for the purposes of this Section, the quantitative and qualitative information is reported with reference to the "trading book" and the "banking book" as defined in the legislation governing supervisory reporting. In particular, the trading book comprises all the financial instruments subject to capital requirements for market risks.

2.1 – Interest rate risk and price risk – Regulatory Trading Book

Qualitative information

A. General aspects

Pursuant to the provisions of IFRS 9, the Bank has defined its business models for the management of financial assets. Therefore, the supervisory trading book for FY2022
is made up of debt securities allocated to the HTS (Hold to Sell / Trading) business model. The aforementioned portfolio is held according to trading strategies and includes positions in financial assets held for the purpose of benefiting from differences between purchase and selling prices resulting from the materialization of expected short-term market movements and/or from arbitrage opportunities.
The management strategy is trading-oriented, with trading being carried out through the Trading Desk with the objective of achieving adequate profitability from opportunities offered by financial markets. Profit targets are mainly pursued through the change in the fair value of the instruments held in the portfolio.
The main risk associated with managing the Trading book is, in general, market risk and specifically, position risk, linked to potential losses resulting from fluctuations in the prices of the financial instruments that make up the Trading Book.
The associated capital absorption is measured according to the standardized approach.
The regulatory trading book is composed exclusively of Euro-denominated debt securities of issuers from Zone A countries. Furthermore, the Bank does not take speculative positions in derivatives and does not trade equities.

Impacts due to the Russia/Ukraine war
The strong market fluctuations and the increase in relative volatility brought about by the Russian/Ukraine conflict did not translate into an increase in regulatory risk measurement metrics, given the substantial margins of the trading book compared to the overall securities portfolio. As a result, there was no increase in RWAs in respect of market risk as determined by the standardised model pursuant to supervisory regulations.
Regulatory metrics are normally complemented by management metrics (e.g. VaR) to monitor both the generic and specific position risk of the regulatory trading book. These metrics are constantly monitored by the business and control functions. In 2023, operational limits were not stressed or exceeded to any notable extent.

B. Measurement and management of market rate risk and price risk

Interest rate risk is the effect on price due to changes in interest rates on financial markets. This effect depends on the characteristics of the instrument, such as, for example, its residual life, the coupon rate and any early repayment options.
Therefore, the risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the trading business, as the Bank's performance is affected by the fluctuations in interest rates in Europe and in the other markets where it carries out its business.
In view of this and given the impossibility to fully predict changes to securities and currency prices and, in general, the evolution of markets, the Bank implements management policies and control systems which ensure sound and prudent management of market risks, in line with the general guidelines established by the Board of Directors.

They respond to the twofold need of:

- regulating operations in the financial markets area according to specific business objectives in terms of risk/return;
- complying with the directions given by Banca d'Italia, in terms of capital requirements.

In particular, in order to limit the risk of changes in interest rates and fluctuations in market prices, the activity on the regulatory trading book is governed by the operating limits established in the "Financial Markets Regulation", approved by the Board of Directors and regularly audited.
These limits were set with reference to the following control parameters, which are built into the Bank's IT system:

- "modified duration", an indicator generally used for bond-like instruments;
- "VAR", a model for evaluating the risk involved in a given financial portfolio;
- short sales;
- stop loss.

In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank itself; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.
The system is organised into the three levels outlined below:

1. first-level controls or line checks, aimed at ensuring that operations are properly carried out; these controls are carried out directly by operating managers, who, during daily operations, verify compliance with the limits set into the system. Moreover, with particular reference to financial activities, first-level controls are ensured automatically through the IT system on the basis of the control parameters set into the system;
2. second-level controls, which are the responsibility of:
   - ✓ Back Office which, in the ordinary course of transaction processing, verifies compliance with the system of limits and the proper exercise of authorities. It identifies any transactions not completed due to non-compliance with one or more of the control parameters established and requests their approval by the persons in charge;
   - ✓ Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed in relation to market trends, the nature of the instruments traded and the issuers and the counterparties involved;
3. third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

On the other hand, with respect to the method adopted to measure the risk in question, the Bank performs systematic stress tests through sensitivity analyses of the regulatory trading book following an hypothetical interest rate shock of +/- 100 bps.

Quantitative information

1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)

(€/000)

Type/Residual term	Sight	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 to 10 years	Over 10 years	Unlimited term
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**197**	**-**	**-**	**-**
1,1 Debt securities	-	-	-	-	197	-	-	-
- with option of early redemption	-	-	-	-	197	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-

+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the regulatory trading book an assumed shift of +/-100 bps in interest rates,
in accordance with Regulatory regulations.
The results of the stress test on the Bank's brokerage margin, profit for the year and shareholders' equity are summarized in the table below.

Assumed change in interest rates	∆ Brokerage margin	∆ Operating result	∆ Shareholders' equity
+100bps	-0.05%	0.22%	-0.01%
- 100bps	0.05%	-0.23%	0.01%

2. Regulatory trading book: breakdown of exposures in equity securities and equity indices by the major listing market Countries

The table in question is not filled out as the exposures in equity securities and share indices were lower than € one thousand at the reporting date.

3. Regulatory Trading book: internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

2.2 – Interest rate risk and price risk - Banking book

Qualitative information

A. General aspects, measurement and management of market rate risk and price risk

The risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the banking book.
Therefore, the sources of interest rate risk to which the Bank is exposed mainly consist in the assets and liabilities making up the banking book, namely:

- receivables;
- debt securities;
- various types of funding from customers.

Interest rate risk, essentially, arises from mismatches between asset and liability items sensitive to changes in interest rates in terms of amount, maturity, financial duration, and interest rate.
In line with the nature and complexity of its business, the Bank has put in place appropriate mitigation and control measures to contain the extent of this risk.
Specifically, from an organizational standpoint, the Bank has identified Risk Management as the unit in charge of overseeing the interest rate risk management process for the banking book, with the monitoring activity being performed quarterly.
In order to calculate the interest rate risk exposure of the banking book, the Bank measures potential changes in both economic value and interest margin by considering different scenarios of changes in the yield curve level and shape.

Change in economic value

As regards the method adopted to measure the risk in question, the Bank uses the methodological guidelines provided for in Banca d'Italia Circular 285/2013, 32nd Update, Title III, for the implementation of the simplified approach to calculate own funds with respect to the interest rate risk of the banking book under ordinary and stressed conditions.

Thus, the application of these methodology guidelines assesses the impact of a hypothetical change in interest rates of +/- 200 basis points on the exposure to interest rate risk of the banking book.

Specifically, the application of the aforementioned simplified method is based on the following logical steps.

1. Defining the banking book: consisting of all assets and liabilities not included in the regulatory trading portfolio.
2. Determination of the "relevant currencies", i.e. currencies whose weight measured as a share of total assets or liabilities in the banking book is greater than 5%. Each relevant currency defines an aggregated position. Currencies whose weight is less than 5% are aggregated among them.
3. Classification of assets and liabilities in time brackets: 19 time brackets have been defined. Fixed rate assets and liabilities are classified according to their residual life, those with a floating rate based on the interest rate renegotiation date. Except for specific classification rules for certain assets and liabilities, assets and liabilities are included in the due date schedule according to the criteria set forth in Circular 272/2008 - as amended - "Manual for completing the Accounts Matrix" and in Circular 115 "Instructions for consolidated regulatory reporting by banks".
   Current accounts in the asset side of the balance sheet are classified in the "on demand" category, while the sum of current accounts and demand deposits in the liability side of the balance sheet is allocated according to the following indications: in the "on demand" category, a fixed portion (the so-called "non-core component") of 25% for retail counterparties and 50% for wholesale counterparties.
   The residual amount (the "core component") in the next ten time bands (from "up to 1 month" to "4-5 years") in proportion to the number of months within each band.
   On demand deposits (i.e. without specific repricing dates) from financial institutions are not classified according to behavioural patterns.
   The Bank also considers impaired exposures (net of provisions) to be interest rate sensitive instruments, in particular as the NPL ratio is above 2%.
4. Calculation of weighted net exposures by band: within each band, the asset and liability positions are multiplied by weighting factors obtained as the product of a hypothetical change in interest rates and an

approximation of the modified duration for each band. The weighting factors by band are calculated as the product of an approximation of the modified duration of the band for increasing yield rates and a hypothetical change in rates selected by the Bank in line with ABE guidance. To calculate the weighted net exposure by band, the weighted exposure of asset positions is netted against the weighted exposure of liability positions for each band.

5. The weighted exposures of the different bands are added together: the net weighted exposure so obtained approximates the change in present value of the items denominated in a certain currency in the event the assumed rate shock materializes.
6. Exposures in individual "relevant currencies" and in the aggregate of "non-material currencies" are added together: when making the aggregation, negative exposures are weighted at a 50% factor. Thus a value is obtained that represents the change in the bank economic value for the assumed interest rate scenario.

The Bank determines the risk indicator, which is the ratio of internal capital, quantified given the assumed interest rate scenario, to the value of own funds. The attention threshold was set at 20% by Banca d'Italia.
The Bank monitors compliance with the aforementioned threshold on a quarterly basis for internal management purposes. If the Bank's economic value decreases by more than 20% of its own funds, the Bank undertakes appropriate initiatives based on the actions defined by the Supervisory Authority.

With respect to current market conditions, the Bank considers the parallel shift of the curve of +/- 200 basis points for the purpose of determining the internal capital in ordinary conditions. This scenario corresponds to the Supervisory Test.

Further stress scenarios were defined as shown below in order to have additional indications for comparison purposes:

- Short Rates Up and Down: scenarios of falling or rising rates on the short part of the curve are assumed; the ups and downs are gradually decreasing or increasing along the curve, starting from +/- 250 points (sight range) and reaching 0 points (over 20-year range). Based on the modified duration envisaged by Banca d'Italia Circular no. 285/2013, as amended, the weighting percentages to be applied are determined.
- Steepener-Flattener: scenarios are assumed in which there is a steepening or flattening of the curve; if there is a steepening, the shocks are negative on the first part of the curve in a decreasing way and then become positive on the rest of the curve. The flattener scenario is constructed in the opposite way: it starts with positive shocks on the initial part of the curve to then turn into negative shocks on the remaining part of the curve. Based on the modified duration envisaged by Banca d'Italia Circular no. 285/2013, as amended, the weighting percentages to be applied are determined.

Change in interest margin

For the purpose of estimating the impact of an adverse change in the interest rate curve on net interest income following a shock of *+/- 200 bps*, the methodology set out in Annex C-bis of Banca d'Italia Circular 285/13 is adopted.
The approach broadly follows the one adopted to estimate the change in economic value except that the reference time horizon T does not exceed 3 years.
The overall exposure is calculated as the sum of the exposures by band. The value thus obtained represents the change in interest margin for the assumed interest rate scenario.

Quantitative information

1. *Banking book: breakdown of financial assets and liabilities by residual duration (by repricing date)*

(€/000)

Type/Residual term	Sight	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	From over 5 to 10 years	Over 10 years	Undetermined term
1. On-balance sheet assets	**15,285**	**5,509**	**8,457**	**5,390**	**2,822**	**178**	**42**	**-**
1,1 Debt securities	-	1,028	8,419	5,272	2,333	-	-	-
- with option of early redemption	-	-	2,673	2,512	1,821	-	-	-
- other	-	1,028	5,747	2,760	512	-	-	-
1.2 Loans to banks	13,472	213	-	-	-	-	-	-
1.3 Loans to customers	1,813	4,268	37	118	489	178	42	-
- current accounts	868	-	-	49	16	-	-	-
- other loans	945	4,268	37	69	473	178	42	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	945	4,268	37	69	473	178	42	-
2. On-balance sheet liabilities	**17,541**	**8,025**	**2,117**	**5,896**	**-**	**-**	**-**	**-**
2.1 Payables to customers	17,515	4,025	2,117	5,896	-	-	-	-
- current accounts	16,194	4,025	2,117	5,896	-	-	-	-
- other payables	1,322	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	1,322	-	-	-	-	-	-	-
2.2 Payables to banks	25	4,000	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	25	4,000	-	-	-	-	-	-
2,3 Debt securities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- 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-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the banking book an assumed shift of +/-100 bps in interest rates, in accordance with the regulatory rules in force. The results of the stress test on the Bank's brokerage margin, profit for the year and shareholders' equity are summarized in the table below.

Assumed change in interest rates	∆ Interest margin	∆ Operating result	∆ Shareholders' equity
+100bps	22.75%	-13.16%	0.79%
- 100bps	-22.80%	13.19%	-0.79%

The table below shows the capital requirement for interest rate risk.

In accordance with the applicable legislation, we also calculated the "Risk Index" (ratio of own funds for the risk in question to the Bank's own funds) which at 31 December 2023 was equal to 1.74%.

	31/12/2023 (€/000)
Capital requirement with respect to interest rate risk under ordinary conditions	183
Own funds	10,539
Risk Index (20% threshold)	1.74%

For the estimate of own funds under stressed conditions, the hypothetical changes in rates are determined on the basis of scenarios predefined by the Bank, which assume parallel and non-parallel shifts of the interest rate curve, as well as a parallel change of +/- 200 basis points.
By comparing the results obtained by applying the various alternative scenarios with the result obtained under ordinary conditions, as envisaged by prudential regulations, the Bank was found to be more vulnerable to the scenario built on a rate parallel change of -200bps. Therefore, the internal capital for the risk in question under stress does not change compared to ordinary conditions.

2. Banking book: internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

2.3 Exchange rate risk

Exchange rate risk is the risk of a loss in the purchasing power of a currency held and of an impairment in receivables resulting from adverse changes to the foreign exchange rates.

Qualitative information

A. General aspects, management and measurement of exchange rate risk

The exchange rate risk to which the Bank is exposed is assessed with reference to the receivables and payables denominated in foreign currencies. Receivables in foreign currency consist exclusively of deposits with clearing houses and/or banks, made up of commissions generated from securities trading on OTC markets (Eurobonds), which takes place in the instrument's currency of denomination.
The main balances generally consist of cash deposits in U.S. dollars, which are considered as a strategic currency from the point of view of volumes.
In order to limit exchange rate risk, the Bank has management policies and control systems in place which ensure sound and prudent risk management, in line with the general guidelines established by the Board of Directors.
In particular, the "Financial Markets Regulations" lay down limitations on the assumption of foreign currency positions both in terms of currency and volume. In addition, exposure to currency risk is measured through a method that reflects the requirements of the relevant supervisory regulations. This is based on the calculation of the "net foreign exchange positions", i.e. the net balance of all assets and liabilities (on and off balance-sheet) for each currency. The internal audit system previously described provides for the periodic verification of the adequacy of and compliance with the limits set by the Regulations.

B. Currency exchange hedge

At the reporting date of 31 December 2023 there were no outstanding foreign currency hedges.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(€/000)

Items	Currencies					
	US Dollar	British Pound	Yen	Canadian Dollar	Swiss Frank	Other currencies
A. Financial assets	**509**	**13**	**-**	**1**		**1**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity securities	-	-	-	-	-	-
A.3 Loans to banks	509	13	-	1	-	1
A.4 Loans to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**32**	**-**	**-**	**-**	**-**	**-**
C.1 Payables to banks	-	-	-	-	-	-
C.2 Trade payables	32	-	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**509**	**13**	**-**	**1**	**-**	**1**
Total liabilities	**32**	**-**	**-**	**-**	**-**	**-**
Imbalance (+/-)	**477**	**13**	**-**	**1**	**-**	**1**

The Bank's overall exposure to exchange rate risk is very limited: therefore, the effects of changes in exchange rates on brokerage margin, profit for the year and shareholders' equity as well as the results of the scenario analysis are not reported.

The amounts in the table relate to:
- deposits with banks in foreign currencies for trading activities;
- cash balances in foreign currencies related to customer deposits.

2. Internal models and other sensitivity analysis methods

The Bank does not use internal models for measuring the risk in question.

Section 3 – Derivative instruments and hedging policies

At the reporting date were no items to be reported in the tables - envisaged by Banca d'Italia Circular no. 262 of 22 December 2005 as amended and supplemented - related to this section.

Section 4 – Liquidity risk

It is the risk that:

- in relation to banking activities:
  1. in a lending transaction, the customer-debtor fails to fulfil their monetary obligations within the agreed time limits;
  2. the Bank is unable to fulfil its obligations as they fall due;
- in relation to financial brokerage activities, in a securities transaction, it is difficult to liquidate market positions within the desired time limits.

Qualitative information

A. General issues, management processes, and methods of measurement for liquidity risk

Banks are naturally exposed to liquidity risk – or rather, the risk of not being able to fulfil their payment obligations due to the inability to gather funding in the market (funding liquidity risk) or to ensure asset disposal (asset liquidity risk) – due to the transformation of maturities. Having access to an adequate system for regulating and managing this risk plays a fundamental role in maintaining stability not only for the individual bank, but also for the market in general, considering that the imbalances of a single financial institute may have repercussions across the board.
To this end, in line with prudential supervisory requirements, the Bank has adopted:

- a specific "Liquidity Risk Governance and Management Policy", for the management of liquidity in the "ordinary" course of business;
- a "Contingency Funding and Recovery Plan", which is an integral and substantial part of the policy as it governs the process, roles and responsibilities in case the Bank finds itself in a "liquidity stress" situation.

1. Liquidity Risk Governance Policy

The liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be distinguished into the following macro-categories:

- internal: specific adverse events of the Bank (e.g. deterioration of the Bank's creditworthiness and loss of confidence by creditors);
- external: when the origin of risk is attributable to negative events that cannot be directly controlled by the Bank (political crises, financial crises, catastrophic events, etc.) which lead to liquidity stress on the markets;
- combinations of the above factors.

The factors underlying liquidity risk are identified through the following process:

- analysis of the time distribution of cash flows from financial assets and liabilities and from off-balance sheet transactions;
- detection:
- of items that do not have a defined maturity (items "at sight and on demand");
- of financial instruments that incorporate (express or implied) options which can change the amount and / or the time distribution of cash flows (for example, early repayment options);
- of financial instruments which by their nature generate cash flows that vary depending on the performance of specific underlying assets (for example, derivatives);
- analysis of the seniority level of financial instruments.

The objective of the "Liquidity Risk Governance and Management Policy" is to establish internal guidelines and rules for the management of liquidity and funding to ensure the Bank maintains and manages an appropriate liquidity level, including as part of the adequacy self-assessment under current, prospective and stressed conditions.
In particular, in compliance with the principle of proportionality and taking into account the operating size and organizational complexity of the Bank, the nature of its business and the type of services offered, we first defined the roles, tasks and responsibilities of the organizational units involved in the liquidity management process.

Subsequently, we identified the step that make up the “Liquidity risk management process”, which is designed to ensure that a sufficient amount of liquid assets is maintained over time under stress scenarios relating to events that affect the bank and the market. These activities are:

1. Identification of risk factors and measurement of risk exposure;
2. Conducting stress tests;
3. Definition of mitigation tools;
4. Controls;
5. Reporting.

Consistent with legal provisions applicable to banks in Class 3 and with the principle of proportionality, the Bank carries out monthly stress tests in terms *of sensitivity analysis or “*scenario analysis ”. The latter, carried out according to a qualitative approach based on company experience and on indications provided by the regulations and supervisory guidelines, envisage two liquidity stress “scenarios”: market/systemic and specific for the individual bank. In particular, the Bank carries out the stress test by extending the scenario envisaged by the LCR regulation, in order to assess the impact of adverse events on risk exposure and on the adequacy of "liquidity reserves" both from a quantitative and qualitative standpoint.
Through these tests, we assume that the Bank is facing difficulties or is unable to meet its commitments as they fall due unless it undertakes procedures and/or uses tools that, due to their intensity and/or method of application, deviate from ordinary management.
More specifically, the Bank's ability to cope with liquidity stresses using its own funds, is first and foremost assessed through ongoing monitoring, including on a prospective basis (when performing the "ICAAP-ILAAP” structured reporting), of compliance with the short-term minimum capital requirement indicator, namely the *Liquidity Coverage Ratio*” - “LCR”.
In this regard it should be noted that the European Commission (EU) Delegated Regulation no. 61/2015 introduced the *Liquidity Coverage Requirement (LCR*) for credit institutions (hereinafter RD-LCR). The *Liquidity Coverage Requirement* - LCR is a short-term rule aimed at ensuring that each bank has available liquid assets enabling them to survive in the short/very short term in the event of acute stress, without resorting to the market. The indicator compares the liquid assets available to the bank with the net cash outflows (difference between gross outflows and inflows) expected over a period of 30 calendar days, the latter developed taking into account a predefined stress scenario.

Furthermore, with the same frequency, two additional stress tests are performed on the regulatory LCR indicator based on the following scenarios:

1) Market crisis scenario: a financial crisis external to the Bank that causes a general devaluation of the assets included in the Liquidity Buffer; because this buffer is made up almost exclusively of Italian government bonds, a value reduction of 5% is applied to the bond; in the case of a financial crisis, the likely effect would be a greater use of the credit lines granted, as well as an increase in outflows related to products and services offered to customers. For the credit lines granted, the LIST methodology provided for in the February 2019 methodological document published by the ECB (ECB Sensitivity analysis of Liquidity Risk - Stress Test 2019 "LiST") was used by applying an outflow calculated over the indicator 30-day horizon with reference to the Adverse scenario. For outflows related to products and services offered to customers, on the other hand, an increase in the percentage of outflows of 5% is applied.

TYPE	ITEM	% ordinary	% stressed
Liquid assets	Securities issued or guaranteed by central governments	100%	95%
Outflows	Credit facilities granted	Regulatory	LiST methodology
Outflows	Estimated outflows for products and services	Monthly estimate	+5%

2) Idiosyncratic crisis scenario: the onset of a crisis directly affecting the Bank (for example a crisis caused by a reputational event) that causes an increase in liquidity outflows due to the withdrawal of customer deposits. Again, the guidance in the ECB's February 2019 methodological note was used with respect to the adverse scenario and the 30-day horizon.

TYPE	ITEM	% ordinary	% stressed
Outflows	Stable retail deposits	5%	LiST methodology
Outflows	Less stable retail deposits	10%	LiST methodology
Outflows	Operational deposits (long-term relationships)	25%	LiST methodology
Outflows	Non-operational deposits with non-financial customers covered by DGS	20%	LiST methodology
Outflows	Non-operational deposits with non-financial customers not covered by DGS	40%	LiST methodology

In addition, where applicable, an additional stress test is performed on the LCR indicator, assuming the divestment of a portion of the time deposits obtained through fintech platforms.
Finally, depending on the macroeconomic situation, the Risk Management function may apply additional stress assumptions to the LCR indicator to ensure the significance of the tests performed.

The Bank intends to pursue a dual objective:
1. the management of **operational liquidity** aimed at verifying the Bank's ability to meet expected and unforeseen short-term cash payment commitments (up to 12 months);
2. the management of **structural liquidity** aimed at maintaining an adequate ratio of total liabilities to medium / long-term assets (over 12 months).

The Bank has set up two level of controls to monitor its short-term operational liquidity:
- the first level provides for the *daily/infra-monthly* monitoring of the treasury position;
- the second level provides for the monthly monitoring of the overall operational liquidity position.

With reference to the monthly monitoring of the overall **operational liquidity** position, the Bank uses the monthly analytical reports provided by Cassa Centrale Banca as part of its Management Consulting Service.

The monthly measurement and monitoring of the **operational liquidity** position is carried out through:
- the LCR indicator, for the 30-day liquidity position, as determined on the basis of the RD-LCR and reported (according to the outline prepared by EBA) to the supervisory authority on a monthly basis;
- its liquidity position through the "Time To Survival" indicator, designed to measure the ability to cover the liquidity imbalance generated by the ordinary operation of balance sheet items;
- a set of summary indicators designed to detect vulnerabilities in the Bank's liquidity position with respect to the various significant risk factors, such as concentration of repayments, concentration of deposits, dependence on interbank funding;
- analysis of the asset encumbrance level and quantification of Readily Marketable Assets.

With reference to the management of the **structural liquidity**, the Bank uses the monthly analytical reports provided by Cassa Centrale Banca as part of its Management Consulting Service.

The “Transformation of Maturities” indicators measure the term and amount of loans to customers, of customer time deposits and of the available assets in order to assess the consistency and sustainability over time of the Bank's financial structure.

The “Net Stable Funding Ratio” indicator consisting of the ratio of stable funding sources to medium-long term assets was defined according to a logic similar to the structural liquidity rule established by the Basel 3 regulatory framework.
With specific reference to the audit phase, this aims to determine on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.
In order to guarantee a proper management of the liquidity risk for both short term (up to 1 year) and medium/long-term (over 1 year), integrated controls are performed and differently organized according to the various levels within the Bank, in order to prevent multiple audits of operating units.

In particular, audits are carried out by the following departments:
- *Treasury*
- *Risk Management*
- *Internal Audit*

The Treasury function is responsible for managing both short-term and structural liquidity and *funding.*
It carries out its activities in compliance with the authorizations and authorization procedures provided by the Board of Directors and with any other guidance provided by the Chief Executive Officer, by taking appropriate steps to secure the resources required to meet the Bank's payment commitments.

The *Risk Management* function, which is independent from the operational "liquidity risk management" functions, contributes to developing the "Liquidity Risk Governance and Management Policy", verifies compliance with the limits imposed and proposes risk mitigation initiatives to the Corporate Bodies.
It is in charge of measuring and controlling both "short term" and "structural" liquidity risk, under "normal" and "stressed" conditions, to verify the effectiveness of the bank's control measures and the adequacy over time of established operating limits.
More in detail, the *Risk Management* function monitors liquidity risk by:

- verifying that the bank has the "very short-term" liquidity (1 to 30 days) and "short-term" liquidity (up to 12 months) necessary to carry out operations, respectively on a daily and monthly basis;
- monitoring compliance with operational limits to the assumption of liquidity risks on a monthly basis, through the observation of early warning short-term and structural indicators;
- performing "stress tests" on a monthly basis;
- monitoring "systemic" and "specific" early warning indicators, respectively on a daily and monthly basis.

To this end, with the support of Cassa Centrale Banca, the Risk Management function adopts data collection and processing procedures at suitable intervals that ensure the production of reliable and timely information. Such information is incorporated in specific "reports" developed to support the measurement and control of liquidity risk which are submitted to the Board of Directors on a monthly basis.

The Internal Audit function also conducts regular audits on:

- the adequacy of the system for collection and verification of information;
- the system for measuring liquidity risk and the pertinent internal evaluation process, as well as the pertinent stress testing process;
- the process of reviewing and updating the Emergency Plan;

It also assesses the functioning and reliability of the overall control system in place for liquidity risk management and verifies that the corporate functions and bodies make full use of the information available.
Reviews and updates of the Policy are approved by resolution of the Board of Directors.

2. Contingency Funding Plan

To cope with adverse funding situations and to readily cover liquidity needs, a specific instrument has been put in place called "*"Contingency Funding and Recovery Plan" - "CFRP".*

The Plan's main objective is to protect the Bank's assets in situations of liquidity drain by putting in place crisis management strategies and procedures to be triggered in order to mitigate the negative impact and to obtain funding in the event of additional and/or alternative sources of financing.
In particular, the CFRP documents the management of any specific or systemic liquidity crisis in terms of mitigating actions available to the Bank and responsibilities assigned to the relevant corporate functions.
The Plan, therefore, responds to stress conditions, intended as situations other than ordinary business, in which the Bank is able to meet its liquidity requirements through its self-funding ability.
Reviews and updates of the Plan are approved by resolution of the Board of Directors.
The recourse to refinancing with the ECB amounted to €4 million and consisted exclusively of funding from participation in Longer Term Refinancing Operations (LTRO).

Quantitative information

1. Time distribution by residual contract term of financial assets and liabilities

(€/000)

Items/Time frames	Sight	From over 1 day to 7 days	Form over 7 to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Undetermined term
A. On-balance sheet assets	**6,143**	**-**	**68**	**5**	**1,247**	**6,632**	**7,098**	**6,232**	**2,067**	**214**
A.1 Government securities	-	-	-	-	1,034	50	1,050	1,226	-	-
A.2 Other debt securities	-	-	-	-	-	6,282	5,351	2,500	-	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	6,143	-	68	5	213	300	697	2,506	2,067	214
- banks	4,631	-	-	-	-	-	-	-	-	214
- clients	1,512	-	68	5	213	300	697	2,506	2,067	-
B. On-balance sheet liabilities	**17,377**	**1,629**	**266**	**1,268**	**5,027**	**2,190**	**6,134**	**-**	**-**	**-**
B.1 Deposits and current accounts	17,357	1,629	266	1,268	978	2,190	6,134	-	-	-
- banks	20	-	-	-	-	-	-	-	-	-
- clients	17,337	1,629	266	1,268	978	2,190	6,134	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	20	-	-	-	4,049	-	-	-	-	-
C. "Off-balance sheet" transactions	**121**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Loans and deposits to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	121	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

The measurement and control of both "short term" and "structural" liquidity risk, under "normal" and "stressed" conditions, intended to verify the effectiveness of the bank's control measures and the adequacy over time of established operating limits, led to the following outcome.

The daily checks on the very short-term liquidity (from 1 to 30 days) necessary for the Bank's operations never showed any deficiency in the bank's "liquidity buffers" to cover any negative daily prospective balance over the analysis horizon . Therefore, the Bank's "liquidity buffers" have always been sufficient to cover any net funding requirements.
The analysis of the Bank's short-term (up to 12 months) "Net Financial Position" and "liquidity buffers", carried out on a monthly basis, did not show any imbalance over the 12-month assessment horizon.

With specific reference to 31/12/2023, the "Time to Survival" is longer than 12 months. Therefore, the Bank is able to cover the cumulative liquidity gap resulting from the inertial operation of all financial statement items, through its own "liquidity buffers", without having to change its funding plan/asset disposal plan or having to resort to third-party sources.

The monitoring of "short-term" and "structural" early warning indicators carried out on a monthly basis showed full compliance with operational limits to the assumption of liquidity risks, as the threshold limits established by the Bank were never exceeded. Therefore, the Bank can cope with potential imbalance situations that may compromise its resilience to either "short-term" or "structural" liquidity risk.

The stress tests carried out monthly did not show any special vulnerability or the inadequacy of the "liquidity buffers" held by the Bank.
More specifically, the value of the short-term indicator "Liquidity Coverage Ratio" - "LCR" at 31/12/2023 was 2,013%, which is significantly higher than the 70% minimum requirement laid down by law for 2017 (100%).
Similarly, the results of the additional stress tests on the "LCR" regulatory indicator, also performed monthly, showed a stressed value of this indicator of 1973% (market stress) and 773% (idiosyncratic stress), which are again considerably higher than the 70% minimum requirement laid down by law.

Therefore, the Bank is able to cope with short-term liquidity needs through its autonomous funding capacity, both in stress situations and in the event of an additional stress scenario compared to that envisaged by the legislation in force.

As regards the concentration of funding sources, as at 31 December 2023, funding from the first 10 counterparties accounted for 21.73% of total bank funding.
Lastly, the monitoring of "systemic" and "specific" early warning indicators carried out daily and monthly, respectively, never showed any breach of the threshold limits established by the Bank. Therefore, no situations outside the "ordinary course of business" were detected that might lead to the beginning of a "systemic" or specific crisis.

Section 5 – Operational risks

Operational risk, as defined by prudential regulations, is the risk of suffering losses due to the inadequacy or malfunction of procedures, human resources and internal systems, or due to external events.
This definition includes legal risk (i.e. the risk of suffering losses arising from the infringement of laws or regulations, from contractual or extra-contractual liability or other disputes), but does not consider reputational and strategic risk.

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk, inherent in banking activity, is generated across all company processes. In general, the main sources of operational risk are related to internal frauds, external frauds, labour relations and safety in the workplace, professional obligations to customers or the nature or characteristics of products, damage from external events and the malfunction of computer systems.

Operational risk, as such, is a pure risk as it is associated with events that have only adverse effects. It comprises all the anomalies that by affecting the company's output exclusively result in:

- financial loss;
- higher operating costs;
- lower revenue.

Because it is aware that operational risk is inherent in the banking business, the Bank pays close attention to controlling this type of risk.

For this purpose, the internal audit system that the company employs is based on principles of prudent and effective management. Furthermore, the system is periodically reviewed to determine whether it is adequate and functions properly in terms of efficacy (the system's capacity to achieve the goals) and efficiency (the system's capacity to achieve the above goals in terms of costs, risks and profitability consistent with those achieved by similar companies).
In this context, i.e. to ensure that risks are managed properly, the Bank has regulated every step of each process and established appropriate audit levels. It has also created specific units within its organisational structure in charge of overseeing these levels of control.
In order to evaluate risk exposure and the effects that adequate mitigation measures have on said exposure, qualitative and quantitative information must be appropriately combined. The qualitative component ("self-risk assessment") can be summarised as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of the control system and appropriate management of risk mitigation techniques. The quantitative component, on the other hand, is based mainly on the statistical analysis of historical loss data. As the available information on losses, with reference to certain types of events, is not always relevant, internal data can be supplemented with system data.
In the event of a loss resulting from one of the above events, the Bank will supply the internal database of incurred operating losses, to be used in the future when applying its internal risk calculation model.
As part of business continuity, the Bank has adopted a "business continuity management process" which prescribes the methods for analysing the impact on business and the criteria for drawing up the "Business Continuity Plan".

The "Plan" explains how to deal with emergencies, in order to ensure, where appropriate, the continuity of the bank's vital operations and the return to normal operation within a reasonable time.

Both documents were approved by the Bank’s Board of Directors.

With reference to legal pending matters of a significant nature, there were no threatened and/or initiated legal disputes as at 31/12/2023.
Specifically, during 2023, with reference to the writ of summons upon a customer’s application, notified on 21 December 2016, seeking reimbursement of a cloned cheque of €34 thousand and the related damage compensation, the Judge of the Court of Naples, with order no. 10699/23 of 21.11.2023, rejected the application filed against the Bank, compensating the charges between the parties. The decision acquired the force of res judicata.

Likewise, with regard to summons served on the Bank by a customer seeking a declaration of unlawfulness of the Bank’s actions: namely, freezing the company's current account and reversing (after indemnification of a well-known Bank) amounts credited to the account in relation to an alleged fraud perpetrated by the customer against a well-known e-commerce company, with claim for restitution of €552 thousand, the Court of Naples, through order 7874/23 of 26.07.2023 rejected the application filed by the plaintiff and condemning the latter to pay the judicial fees. The decision acquired the force of res judicata.

Quantitative information

With respect to the regulatory measurement of the prudential requirement for operational risks, the Bank, having considered its organizational, operational and dimensional features, opted for application of the Basic Indicator Approach - BIA.
According to this approach, the capital requirement for operational risks is measured by applying the 15% regulatory ratio to the average of the last three observations on an annual basis of an indicator of the volume of company operations ("relevant indicator") with reference to the year-end (31 December).
At 31 December 2023 the capital requirement was €519 thousand.

In 2023 there were no events resulting in operating losses.

Operational risk	
Relevant indicator	**(€/000)**
Relevant indicator 2021	3,294
Relevant indicator 2022	3,983
Relevant indicator 2023	3,113

Part F – Information on Shareholders' Equity

SECTION 1 – CORPORATE EQUITY

A. Qualitative information

One of the Bank's well-established strategic priorities is to focus on adequate size of capital and its development over time. Equity is indeed the first defence against the risks associated with banking operations and the main benchmark for the assessments carried out by the supervisory authority and the market on the solvency of the intermediary.
The Bank's Shareholder's equity is calculated as the sum of the share capital, the share premium reserve, the profit reserves, the valuation reserves and the profit for the year, as indicated in Part B of this Section.
International and local supervisory bodies have established strict requirements for determining regulatory capital and the minimum capital requirements that credit institutions are required to comply with.
The notion of equity that the Bank uses in its assessments is based on the notion of "Own funds" as established by Regulation (EU) no. 575/2013 (CRR), and comprises the following elements:

- Tier 1 capital (Tier 1), made up of primary Tier 1 Capital (Common Equity Tier 1 – CET 1) and Tier 1 additional capital (Additional Tier 1 – AT1);
- Tier 2 capital (Tier 2 – T2).

Equity thus defined is the main safeguard for business risks in accordance with regulatory provisions; it is indeed the best indicator of effective management, both strategically and in terms of current operations, as it is a financial resource capable of absorbing the potential losses the Bank may incur as a result of its exposure to all the risks assumed, and acts as a guarantee for depositors and creditors in general.
The supervisory regulations require that the Bank's overall capital adequacy, current, prospective and under stressed conditions, be measured using internal methodologies so as to ensure that there are sufficient financial resources to cover all risks, including in adverse economic conditions; the above with reference not only to "First Pillar" risks (i.e. credit and counterparty risks, market risks on the trading portfolio and operational risk), but also with regard to additional risk factors - "Second Pillar" risks - that affect the business activity (such as, for example, concentration risk, interest rate risk on the banking book, etc.).

The monitoring of the current and prospective capital adequacy is therefore developed in a dual perspective:

- regulatory capital with respect to Pillar I risks;
- total internal capital with respect to Pillar II risks, for the purposes of the ICAAP process.

With the aim of ensuring it has adequate capital on an ongoing basis, the Bank has put in place processes and instruments to determine an adequate level of internal capital capable of addressing every type of risk assumed, as part of an assessment of its current, prospective and "stressed" exposure that takes into account corporate strategies, development objectives, and the changes in the external environment.

For minimum capital requirements, please refer to the mandatory parameters provided for in the regulatory provisions in force (art. 92 of CRR), according to which CET 1 must satisfy at least the 4.5% requirement on total risk-weighted assets (CET1 capital ratio), Tier 1 must represent at least 6% of total risk-weighted assets (Tier 1 capital ratio) and the Bank's overall own funds must be at least 8% of total risk-weighted assets (Total capital ratio).

In this regard, Banca d'Italia annually issues a specific decision regarding the capital requirements of the Bank following the *supervisory review and evaluation process* (SREP) conducted pursuant to art. 97 et seq. of EU Directive 36/2013 (CRD IV) and in accordance with EBA provisions concerning the imposition of additional specific capital requirements set out in the document "Guidelines on common procedures and methodologies for the prudential review and evaluation process", published on 19 December 2014.
In particular, the aforementioned Article 97 of CRD IV establishes that Banca d'Italia must periodically review the rules, strategies, processes and mechanisms that the supervised banks put in place to face the complex risks to which they are exposed. Thus, through the SREP the Authority reviews and assesses the Bank's internal process for determining capital adequacy, analyses the risk profiles of the Bank both individually and in an aggregate perspective, including under stress conditions, and evaluates its contribution to systemic risk; it assesses the corporate governance system, the functions of the bodies, the organizational structure and the internal control system; it verifies compliance with the set of prudential rules.

At the end of this process, the Authority also has the power, pursuant to art. 104 of CRD IV, to request the intermediary to hold additional capital with respect to the minimum requirements mentioned above, to cover for its overall risk; quantified capital ratios that take into account the additional requirements are binding ("*target ratio*").

Therefore, the capital requirements based on the Bank's risk profile, pursuant to Banca d'Italia measure of 07/03/2023, consist of mandatory capital requirements (i.e. the sum of the minimum requirements pursuant to Article 92 of the CRR and the additional mandatory requirements determined as a result of the SREP) and of the capital conservation buffer applicable under the current provisions of 2.5%, overall making up the *overall capital requirement ratio - OCR* , as indicated below:

- 8.23% with reference to CET 1 ratio (made up of 5.73% as binding amount and of the capital conservation buffer for the remainder);
- 10.15% with reference to TIER 1 ratio (made up of 7.65% as binding amount and of the capital conservation buffer for the remainder);
- 12.70% with reference to Total Capital Ratio (made up of 10.20% as binding amount and of the capital conservation buffer for the remainder.

The capital conservation buffer is fully covered by CET1.
In the event of decrease in capital ratios below the OCR, but above the binding measure, capital conservation measures must be activated. Should one of the ratios fall below the binding limit, initiatives must be taken to immediately restore the ratios to values above such limit.

In order to ensure that the mandatory measures are complied with even when the economic / financial situation deteriorates, the Bank is also subject to the following capital guidance measures as against a greater risk exposure under stress conditions:

- 11.73% with reference to CET 1 ratio (made up of an OCR CET 1 ratio of 8.23% and a Target amount, due to a higher risk exposure in stress conditions, of 3.50%);
- 13.65% with reference to TIER 1 ratio (made up of an OCR CET 1 ratio of 10.15% and a Target amount, due to a higher risk exposure in stress conditions, of 3.50%);
- 16.20% with reference to Total Capital ratio (made up of an OCR CET ratio of 12.70% and a Target amount, due to a higher risk exposure in stress conditions, of 3.50%).

These capital levels reflect an expectation of Banca d'Italia as to the additional reserves to be held by the Bank. Where even just one of the Bank's capital ratios falls below the levels, the Bank must inform Banca d'Italia and explain the reasons that led the Bank's capital ratios to fall below the levels required by the Regulatory Authority.
In determining the aforementioned requirements, Banca d'Italia took into account, among other things, the Bank's internal capital measures as estimated by the Bank through the ICAAP.

As at 31 December 2023, the Bank had a ratio of Common Equity Tier 1 - CET1 - to risk-weighted assets (CET 1 ratio) of 33.75%, above the binding CET1 ratio assigned to the Bank; a ratio of Tier 1 capital to risk-weighted assets (Tier 1 capital ratio - Tier 1 ratio) of 33.75%, above the binding Tier 1 ratio assigned to the Bank; a ratio of own funds ti risk-weighted assets (total capital ratio) of 33.75%, above the total binding capital ratio assigned to the Bank.

The amount of own funds was, not only adequate to cover all three binding levels of capital, but also to cover the capital conservation buffer and the capital guidance. The capital surplus with respect to the total binding capital ratio amounted to €8,041 thousand. The surplus with respect to the over-capital requirement and capital guidance amounted to €5,480 thousand.

The Bank drafted and maintains its own Recovery Plan, in line with the pertinent statutory provisions and in compliance with the Risk Appetite Framework adopted.

B. QUANTITATIVE INFORMATION

B.1 Corporate equity: breakdown

(€/000)

Items/Values	Amount 2023	Amount 2022
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	4,333	4,400
- profit reserve	4,333	4,400
a) legal reserve	870	870
b) reserve pursuant to articles of association	-	-
c) treasury share reserve	-	-
d) other	3,463	3,530
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	-1,025	-1,009
- Equity securities designated at fair value through other comprehensive income	-937	-936
- Hedging of equity securities designated at fair value through other comprehensive income	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income:	-	-1
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investment hedging	-	-
- Cash flow hedging	-	-
- Hedging instruments (items non designated)	-	-
- Exchange rate differences	-	-
- Non-current assets and disposal groups	-	-
- Financial liabilities designated at fair value through profit or loss (changes of own creditworthiness)	-	-
- Actuarial gains (losses) relating to defined benefits pension plans	-88	-72
- Shares of valuation reserves for subsidiaries measured at equity	-	-
- Special revaluation regulations	-	-
7. Profit (loss) for the year	-685	-67
Total	**11,434**	**12,135**

B.2 Valuation reserves of financial assets measured at fair value through other comprehensive income: breakdown

(€/000)

Assets/values	Total 2023		Total 2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	-	4	-5
2. Equity securities	-	-937	-	-936
3. Loans	-	-	-	-
Total	**-**	**-937**	**4**	**-941**

B.3 Valuation reserves of financial assets measured at fair value through other comprehensive income: year-on-year changes

(€/000)

	Debt securities	Equity securities	Loans
1. Opening balance	**-1**	**-936**	**-**
2. Positive changes	**8**	**57**	**-**
2.1 Fair value increases	2	-	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reversal to the income statement of negative reserves due to disposal	6	X	-
2.4 Transfers to other equity items (equity securities)	-	-	-
2.5 Other changes	-	57	-
3. Negative changes	**7**	**57**	**-**
3.1 Fair value decreases	-	1	-
3.2 Write-backs for credit risk	-	-	-
3.3 Reversal to the income statement from positive reserves: - due to disposal	4	X	-
3.4 Transfers to other equity items (equity securities)	-	-	-
3.5 Other changes	3	57	-
4. Final inventories	**-**	**-937**	**-**

B.4 Valuation reserves relating to defined-benefit pension plans: year-on-year changes

(€/000)

	Total 2023
1. Opening amount	**-72**
2. Positive changes	**16**
2.1 Actuarial gains relating to defined-benefit pension plans	8
2.2 Other changes	8
2.3 Business combinations	-
3. Negative changes	**32**
3.1 Actuarial losses relating to defined-benefit pension plans	32
3.2 Other changes	-
3.3 Business combinations	-
4. Final inventories	**-88**

SECTION 2 – OWN FUNDS AND REGULATORY RATIOS

With regard to the content of this section, please refer to the disclosure on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), prepared pursuant to Regulation (EU) no. 575/2013 of 26 June 2013 (CRR).

Part H – Transactions with Related Parties

The notion of Related Party and Transaction with a Related Party is based on the concept contained in the International Accounting Standard IAS 24 "Related Party Disclosures", where a Related Party of a reporting entity is defined as a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity or as a party that exercises significant influence on the reporting entity, and where "Related Party Transactions" means "a transfer of resources, services or obligations regardless of whether a price is charged". The "Other Related Parties" category includes all those who are related to representatives of the companies in the banking group (close family members, parties controlled, including jointly, by the representatives, parties on which the representatives exercise significant influence or in which they hold a significant share of voting rights, parties controlled, including jointly, by close family members or over which the latter exercise significant influence or in which they hold a significant share of voting rights) and pension funds. "Close family members" means: a) the spouse (unless legally separated) and the cohabitant; b) the children and dependants of the related parties, of the spouse (not legally separated) or of the cohabitant.
In compliance with the regulatory framework introduced by Consob Resolution No. 17221 of 12 March 2010, as amended, in 2010 the Bank adopted a "Regulation for the management of related party transactions", in order to ensure transparency and substantive and procedural fairness of transactions with Related Parties, carried out directly or through the subsidiary.

1. Information on the remuneration of key management personnel

The 2023 emoluments pertaining to key management personnel, including directors and members of the Board of statutory auditors, can be summarised as follows:

(€/000)

Overall remuneration paid to Directors	Total 2023
- Salaries and other short-term benefits	347
- Post-employment benefits (social security, insurances, etc.)	-

(€/000)

Overall remuneration paid to Auditors	Total 2023
- Salaries and other short-term benefits	40
- Post-employment benefits (social security, insurances, etc.)	-

The values were determined as provided for in IAS 24 paragraph 17.

2. Information on transactions with related parties

(€/000)

	Assets	Liabilities	Guarantees granted	Guarantees received	Revenue	Costs
Directors and Managers	10	569	-	-	-	-
Auditors	-	-	-	-	-	-
Family members	2	46	-	-	-	-
Other related parties	-	1,306	-	-	-	-
Total	**12**	**1,921**	**-**	**-**	**-**	**-**

According to IAS 24, related parties can be summarised as directors, statutory auditors and key management personnel (members of the General Management), the immediate families of the above persons, and the subsidiaries, joint ventures and associates of any of the above entities.
Immediate family includes the person's cohabiting partner and children, the partner's children and other dependants of the person or partner.

PART M – DISCLOSURE ON LEASES

SECTION 1 – LESSEE

Qualitative information

The IFRS16 has unified the accounting treatment of operating and finance leases for lessees, requiring them to recognize:

- in the statement of financial position: i) a financial liability which is the present value of future lease payments that the company has undertaken to pay under the lease contract, and ii) an asset that represents the "right of use" of the leased asset;
- in the Income Statement: i) the financial charges associated with the aforementioned financial liability and ii) the depreciation associated with the aforementioned "right of use".

The interest arising from the lease liability and the depreciation of the right of use are recognized in the Income Statement of the lessee. The right of use is depreciated over the effective term of the underlying contract.
With respect to the accounting treatment just discussed, the Bank had 1 lease contract in place which falls within the scope of application of IFRS 16 as it refers to operating leases. The asset covered by the aforementioned contract is intended to be used in the ordinary course of business and for this reason it is part of its tangible operating assets.

The options applied by the Bank
The Bank adopts the IFRS 16 according to the simplified prospective approach, which provides for recognition of a lease liability equal to the present value of future lease payments and a right of use for the same amount. This approach therefore has no impact on shareholders' equity.
By adopting the practical expedient referred to in Paragraph 6 of IFRS 16 the Bank excludes from the scope of application (i) contracts with a residual useful life on the date of first application of less than 12 months and (ii) contracts involving assets with a value of less than €5,000. For these two types of contract, lease payments were recorded under operating costs in the income statement.

Discounting rate
In accordance with IFRS 16, the Bank uses the internal transfer rate (ITR) for deposits at maturity.

Term of contract
The term of the contract corresponds to the non-cancellable period in which the individual company has an obligation towards the lessor and has the right to use the leased property. The term of the contract includes:

- the periods covered by the option to extend the lease, if the lessee is reasonably certain to exercise the option; and
- the periods covered by the option to terminate the lease, if the lessee is reasonably certain not to exercise the option.

The periods covered by a bilateral option to terminate the contract are not part of the contract term. In these cases, the term of the contract extends up to the notification period for exercising the option.
As regards the contractual term of property leases, the Bank considered the first renewal as being reasonably certain and to be included in the term of the contract unless there are special contractual clauses that lead to a different evaluation.

Therefore, based on the provisions of Law 392/1978, when signing a new lease contract with a contractual term of six years and the option to tacitly renew it every six years, the overall term of the lease will be at least twelve years. This general approach is overridden if there are new elements or specific situations within the contract.

Lease and non-lease components
The bank has decided not to separate the service components from the lease components and, consequently, to account for the entire contract as a lease, the service components being negligible.

Quantitative information
The quantitative information regarding the rights of use acquired through leases, lease payables and the related profit and loss components, has already been presented in the other sections of these Notes. Specifically:

- the information on the rights of use acquired through leases is contained in “Part B - Information on the Balance Sheet, Assets, Section 8 - Tangible assets and Section 9 - Intangible assets;
- The information on lease payables is contained in “Part B - Information on the Balance Sheet, Liabilities, Section 1 - Financial liabilities measured at amortized cost”;
- The information on interest expense on lease payables and on depreciation of right-of-use assets is contained in "Part C - Information on the Income Statement", in the respective sections.

Reference is therefore made to the considerations set out in the information sections above.

As at the reporting date, the Bank had no formal commitments in respect of leases that have not yet been entered into.

With regard to the costs related to short-term leases, accounted for in accordance with paragraph 6 of IFRS 16, reference is made to comments in "Part C - Information on the Income Statement".

SECTION 2 – LESSOR

This case is not applicable to the Bank.

Annexes

Annexes

Audit and non-audit fees pursuant to para- 1, no. 16 BIS, of article 2427 of the Italian Civil Code

The contractually agreed fees for FY 2023 with the auditing company KPMG SPA to audit the Bank's accounts and for the other services rendered to the Bank are broken down here below, VAT and expenses included.

(€/000)

Type of service	Fees' amount
Accounting audit of the Financial Statements which includes verifying the regular keeping of the accounts and the correct recording of the company's affairs, and the certification and signing of the Tax Returns.	32
Other services (*)	24
Annual report provided for by Article 23, paragraph 7, of the Regulation implementing Articles 4-undecies and 6, paragraph 1, b) and c-bis) of Legislative Decree no. 58 of 24 February (TUF), adopted by Banca d'Italia order dated 5 December 2019.	7

(*) The item includes services for the purpose of obtaining the tax credit under art. 3, of Law Decree no.145 of 23 December 2013 and the Decree of 27 May 2015; audit activities for the certification of the offsetting receivable related to the Income and Irap models and methodological assistance services for the ESG plan preparation.

Country-by-Country Reporting

As set forth by Banca d'Italia Circular no. 285 of 17 December 2013 as updated, the information is published on the Bank's website at the following link: wwww.bancapromos.it/public/documenti.

Informazioni generali sull'impresa

Dati anagrafici

Denominazione:	PROMOS FINTECH SRL
Sede:	VIALE ANTONIO GRAMSCI 19 NAPOLI NA
Capitale sociale:	75.000,00
Capitale sociale interamente versato:	sì
Codice CCIAA:	NA
Partita IVA:	09284551216
Codice fiscale:	09284551216
Numero REA:	NA-1021405
Forma giuridica:	SOCIETA' A RESPONSABILITA' LIMITATA
Settore di attività prevalente (ATECO):	620100
Società in liquidazione:	no
Società con socio unico:	no
Società sottoposta ad altrui attività di direzione e coordinamento:	no
Denominazione della società o ente che esercita l'attività di direzione e coordinamento:	
Appartenenza a un gruppo:	no
Denominazione della società capogruppo:	
Paese della capogruppo:	
Numero di iscrizione all'albo delle cooperative:	

Bilancio al 31/12/2023

Stato Patrimoniale Abbreviato

	31/12/2023	31/12/2022
Attivo		
A) Crediti verso soci per versamenti ancora dovuti	-	-
B) Immobilizzazioni		
I - Immobilizzazioni immateriali	1.091	1.902
II - Immobilizzazioni materiali	-	-
III - Immobilizzazioni finanziarie	-	-
Totale immobilizzazioni (B)	*1.091*	*1.902*
C) Attivo circolante		

	31/12/2023	31/12/2022
I - Rimanenze	-	-
Immobilizzazioni materiali destinate alla vendita	-	-
II - Crediti	5.178	2.417
esigibili entro l'esercizio successivo	5.178	2.417
esigibili oltre l'esercizio successivo	-	-
Imposte anticipate	-	-
III - Attivita' finanziarie che non costituiscono immobilizzazioni	-	-
IV - Disponibilita' liquide	37.291	65.433
Totale attivo circolante (C)	*42.469*	*67.850*
D) Ratei e risconti	**81**	**68**
Totale attivo	*43.641*	*69.820*
Passivo		
A) Patrimonio netto		
I - Capitale	75.000	75.000
II - Riserva da soprapprezzo delle azioni	-	-
III - Riserve di rivalutazione	-	-
IV - Riserva legale	-	-
V - Riserve statutarie	-	-
VI - Altre riserve	-	-
VII - Riserva per operazioni di copertura dei flussi finanziari attesi	-	-
VIII - Utili (perdite) portati a nuovo	(38.913)	(10.314)
IX - Utile (perdita) dell'esercizio	(20.912)	(28.598)
Perdita ripianata nell'esercizio	-	-
X - Riserva negativa per azioni proprie in portafoglio	-	-
Totale patrimonio netto	*15.175*	*36.088*
B) Fondi per rischi e oneri	**-**	**-**
C) Trattamento di fine rapporto di lavoro subordinato	**-**	**-**
D) Debiti	**15.986**	**23.732**
esigibili entro l'esercizio successivo	15.986	23.732
esigibili oltre l'esercizio successivo	-	-
E) Ratei e risconti	**12.480**	**10.000**
Totale passivo	*43.641*	*69.820*

Conto Economico Abbreviato

	31/12/2023	31/12/2022
A) Valore della produzione		
1) ricavi delle vendite e delle prestazioni	117.436	104.078
2/3) variaz. rimanenze prodotti in corso di lavoraz., semilavorati, finiti e lavori in corso su ordinaz.	-	-
2) variazioni delle rimanenze di prodotti in corso di lavorazione, semilavorati, finiti	-	-
3) variazioni dei lavori in corso su ordinazione	-	-
4) incrementi di immobilizzazioni per lavori interni	-	-
5) altri ricavi e proventi	-	-
contributi in conto esercizio	-	-
altri	1	1
Totale altri ricavi e proventi	*1*	*1*
Totale valore della produzione	*117.437*	*104.079*
B) Costi della produzione		
6) per materie prime, sussidiarie, di consumo e di merci	-	-
7) per servizi	97.671	85.179
8) per godimento di beni di terzi	-	-
9) per il personale	-	-
a) salari e stipendi	37.784	45.895
b) oneri sociali	-	-
c/d/e) trattamento di fine rapporto, trattamento di quiescenza, altri costi del personale	-	-
c) trattamento di fine rapporto	-	-
d) trattamento di quiescenza e simili	-	-
e) altri costi	-	-
Totale costi per il personale	*37.784*	*45.895*
10) ammortamenti e svalutazioni	-	-
a/b/c) ammortamento delle immobilizz.immateriali e materiali, altre svalutazioni delle immobilizz.	811	811
a) ammortamento delle immobilizzazioni immateriali	811	811
b) ammortamento delle immobilizzazioni materiali	-	-
c) altre svalutazioni delle immobilizzazioni	-	-
d) svalutazioni dei crediti compresi nell'attivo circolante e delle disponibilita' liquide	-	-
Totale ammortamenti e svalutazioni	*811*	*811*

	31/12/2023	31/12/2022
11) variazioni delle rimanenze di materie prime, sussidiarie, di consumo e merci	-	-
12) accantonamenti per rischi	-	-
13) altri accantonamenti	-	-
14) oneri diversi di gestione	1.038	684
Totale costi della produzione	*137.304*	*132.569*
Differenza tra valore e costi della produzione (A - B)	**(19.867)**	**(28.490)**
C) Proventi e oneri finanziari		
15) proventi da partecipazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi da partecipazioni	-	-
16) altri proventi finanziari	-	-
a) da crediti iscritti nelle immobilizzazioni	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi finanziari da crediti iscritti nelle immobilizzazioni	-	-
b/c) da titoli iscr.nelle immob.che non costituisc.partecip.e da titoli iscr.nell'attivo circ.no partecip	-	-
b) da titoli iscritti nelle immobilizzazioni che non costituiscono partecipazioni	-	-
c) da titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) proventi diversi dai precedenti	-	-
da imprese controllate	-	-
da imprese collegate	-	-
da imprese controllanti	-	-
da imprese sottoposte al controllo delle controllanti	-	-
altri	-	-
Totale proventi diversi dai precedenti	-	-
Totale altri proventi finanziari	-	-

	31/12/2023	31/12/2022
17) interessi ed altri oneri finanziari	-	-
verso imprese controllate	-	-
verso imprese collegate	-	-
verso imprese controllanti	-	-
verso imprese sottoposte al controllo delle controllanti	-	-
altri	79	108
Totale interessi e altri oneri finanziari	*79*	*108*
17-bis) utili e perdite su cambi	-	-
Totale proventi e oneri finanziari (15+16-17+-17-bis)	*(79)*	*(108)*
D) Rettifiche di valore di attivita' e passivita' finanziarie	**-**	**-**
18) rivalutazioni	-	-
a/b/c/d) rival.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti all'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale rivalutazioni	-	-
19) svalutazioni	-	-
a/b/c/d) sval.di part.,immob.fin.,titoli attivo circol.,strum.finanz.derivati,att.fin.gest.tesoreria	-	-
a) di partecipazioni	-	-
b) di immobilizzazioni finanziarie che non costituiscono partecipazioni	-	-
c) di titoli iscritti nell'attivo circolante che non costituiscono partecipazioni	-	-
d) di strumenti finanziari derivati	-	-
di attivita' finanziarie per la gestione accentrata della tesoreria	-	-
Totale svalutazioni	-	-
Totale delle rettifiche di valore di attivita' e passivita' finanziarie (18-19)	-	-
Risultato prima delle imposte (A-B+-C+-D)	**(19.946)**	**(28.598)**
20) imposte sul reddito dell'esercizio, correnti, differite e anticipate		
imposte correnti	496	-
imposte relative a esercizi precedenti	470	-
imposte differite e anticipate	-	-
proventi (oneri) da adesione al regime di consolidato fiscale / trasparenza fiscale	-	-

	31/12/2023	31/12/2022
Totale delle imposte sul reddito dell'esercizio, correnti, differite e anticipate	*966*	-
21) Utile (perdita) dell'esercizio	**(20.912)**	**(28.598)**

Final Liquidation Accounts

Promos Corporate Consulting SRL

Informazioni generali sull'impresa

Dati anagrafici

Denominazione:	PROMOS CORPORATE CONSULTING SRL IN LIQUIDAZIONE
Sede:	VIALE GRAMSCI 19 NAPOLI NA
Capitale sociale:	0,00
Capitale sociale interamente versato:	sì
Codice CCIAA:	NA
Partita IVA:	09023481212
Codice fiscale:	09023481212
Numero REA:	
Forma giuridica:	SOCIETA' A RESPONSABILITA' LIMITATA
Settore di attività prevalente (ATECO):	702209
Società in liquidazione:	sì
Società con socio unico:	no
Società sottoposta ad altrui attività di direzione e coordinamento:	no
Denominazione della società o ente che esercita l'attività di direzione e coordinamento:	
Appartenenza a un gruppo:	no
Denominazione della società capogruppo:	
Paese della capogruppo:	
Numero di iscrizione all'albo delle cooperative:	

Bilancio al 30/12/2023

Stato Patrimoniale Abbreviato

	30/12/2023	31/12/2022
Attivo		
B) Immobilizzazioni		
I - Immobilizzazioni immateriali	-	1.027
Totale immobilizzazioni (B)	-	*1.027*
C) Attivo circolante		
II - Crediti	12.284	25.810
esigibili entro l'esercizio successivo	12.284	25.810
IV - Disponibilita' liquide	1.394	1.877

	30/12/2023	31/12/2022
Totale attivo circolante (C)	*13.678*	*27.687*
Totale attivo	*13.678*	*28.714*
Passivo		
A) Patrimonio netto		
I - Capitale	-	50.000
VI - Altre riserve	1	1
VIII - Utili (perdite) portati a nuovo	(70.307)	(44.946)
IX - Utile (perdita) dell'esercizio	6.477	(75.361)
Totale patrimonio netto	*(63.829)*	*(70.306)*
D) Debiti	**77.507**	**99.020**
esigibili entro l'esercizio successivo	77.507	99.020
Totale passivo	*13.678*	*28.714*

Conto Economico Abbreviato

	30/12/2023	31/12/2022
A) Valore della produzione		
5) altri ricavi e proventi	-	-
altri	9.197	976
Totale altri ricavi e proventi	*9.197*	*976*
Totale valore della produzione	*9.197*	*976*
B) Costi della produzione		
7) per servizi	582	5.104
10) ammortamenti e svalutazioni	-	-
a/b/c) ammortamento delle immobilizz.immateriali e materiali, altre svalutazioni delle immobilizz.	-	612
a) ammortamento delle immobilizzazioni immateriali	-	612
Totale ammortamenti e svalutazioni	*-*	*612*
14) oneri diversi di gestione	2.194	70.621
Totale costi della produzione	*2.776*	*76.337*
Differenza tra valore e costi della produzione (A - B)	**6.421**	**(75.361)**
C) Proventi e oneri finanziari		
16) altri proventi finanziari	-	-

	30/12/2023	31/12/2022
d) proventi diversi dai precedenti	-	-
altri	56	-
Totale proventi diversi dai precedenti	*56*	*-*
Totale altri proventi finanziari	*56*	*-*
Totale proventi e oneri finanziari (15+16-17+-17-bis)	*56*	*-*
Risultato prima delle imposte (A-B+-C+-D)	**6.477**	**(75.361)**
21) Utile (perdita) dell'esercizio	**6.477**	**(75.361)**

BANCA PROMOS SPA

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VAT number: 04368171007
Tax Identification Number 03321720637
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ABI 03265
Registered in the Bank Register
Member of the Interbank Deposit Protection Fund
Member of the National Guarantee Provision
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