MEDIOCREDITO
INVESTITIONSBANK
TRENTINO ALTO ADIGE SÜDTIROL

RIFUGIO
CONTO DEPOSITO

2023
ANNUAL REPORT
70TH FINANCIAL YEAR

ANNUAL REPORT AND ACCOUNTS AS AT 31 DECEMBER 2023

MEDIOCREDITO TRENTINO - ALTO ADIGE - S.P.A.

Fully paid-up capital €58,484,608

Fiscal code and Trento Register of companies no. 00108470220
Bank Register no. 4764
Parent company of Gruppo Bancario Mediocredito Trentino – Alto Adige
Registered with the Banking Group Register

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mc@mediocredito.it

REGISTERED OFFICE AND GENERAL MANAGEMENT

38122 Trento, Via Paradisi 1
Tel. +39 0461/888511

SECONDARY HEADQUARTERS

39100 Bolzano, Via Alto Adige 60
Tel. +39 0471/305111

BRANCHES

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Piazza delle Istituzioni 27 - 31100 Treviso
Tel. +39 0422/216411

Bologna
Via del Lavoro 53 – 40033 Casalecchio di Reno
Tel. +39 051/3390711

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Via G. Gozzi 24 - 35131 Padua
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Brescia
Piazza Mons. Almici 23 - 25124 Brescia
Tel. +39 030/2284211

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KEY RATIOS[1]

(Amounts are in thousands of Euro)

Rating

MOODY'S INVESTOR SERVICE	2023	2022
- Issuer Rating	**Ba1**	**Ba1**
- Bank Deposits	**Baa2 / P-2**	**Baa2 / P-2**
- Outlook	**Stable**	**Negative**

2023
2022

Data sheet and flow data

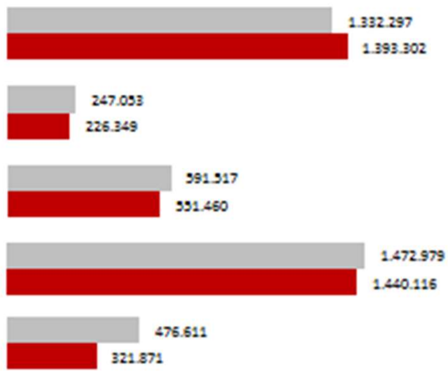
Overall lending to customers and banks

New credit disbursed

Portfolio of debt and equity securities

Overall amount of borrowing

New borrowing



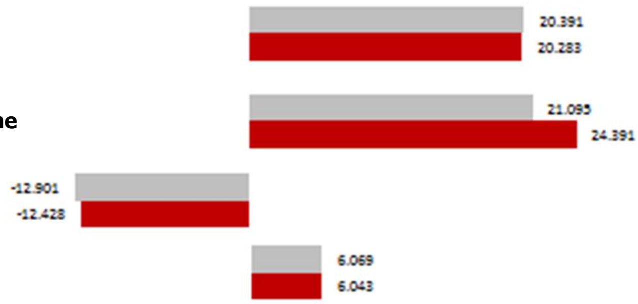
Reclassified income statement data

Net interest income

Net interest and other banking income

Operating costs

Net profit



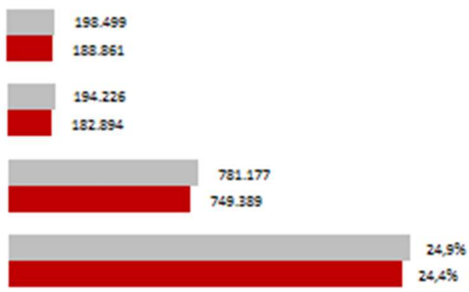
Capital and capital ratios

Equity **(after allocation of profit)**

Own funds

RWA

Total capital ratio



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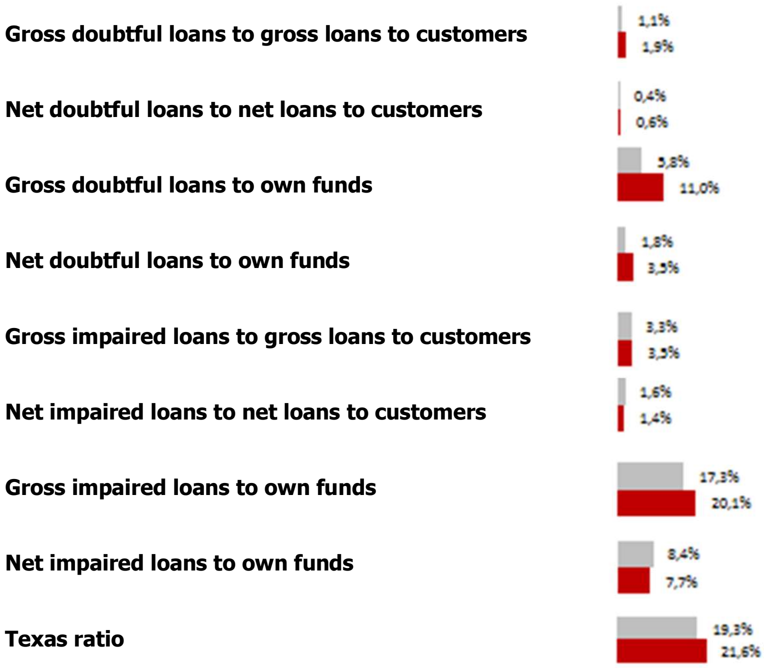
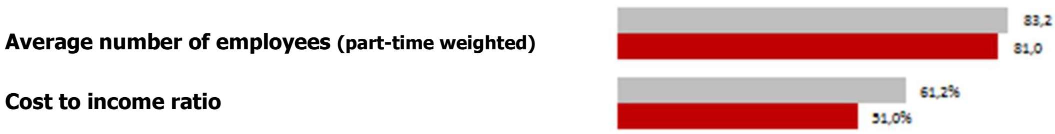
1 All the ratios in the table are explained clearly in annex 2 "Glossary of ratios".

Risk ratios



Other ratios



SHAREHOLDERS

Public entities

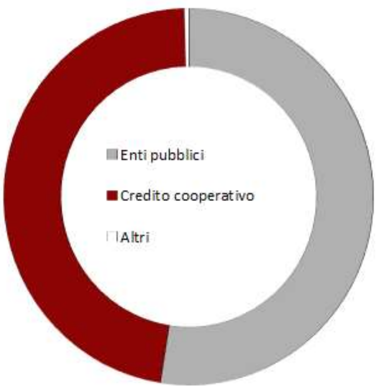
17.489%	AUTONOMOUS REGION OF TRENTINO SOUTH TYROL
17.489%	AUTONOMOUS PROVINCE OF TRENTO
17.489%	AUTONOMOUS PROVINCE OF BOLZANO
52.466%	

Co-operative banks

35.292%	CASSE RURALI - RAIFFEISEN FINANZIARIA also referred to as CRR-
10.698%	CASSA CENTRALE RAIFFEISEN DELL'ALTO ADIGE SPA
0.231%	CENTROMARCA BANCA-CREDITO COOPERATIVO DI TREVISO E VENEZIA
0.213%	BCC DI ROMA
0.178%	BANCA PER LO SVILUPPO DELLA COOPERAZIONE DI CREDITO S.p.A. E
0.149%	BVR BANCA CREDITO COOPERATIVO DI SCHIO, PEDEMONTE, ROANA E VESTENANOVA
0.078%	BANCA DEL VENETO CENTRALE CREDITO COOPERATIVO
0.071%	BANCA DELLA MARCA CREDITO COOPERATIVO
0.064%	CASSA PADANA BCC – SOCIETÀ COOPERATIVA
0.043%	BANCA VERONESE CREDITO COOPERATIVO DI CONCAMARISE
0.043%	BANCA PREALPI SAN BIAGIO CREDITO COOPERATIVO
0.043%	FEDERAZIONE TRENTINA DELLA COOPERAZIONE
0.043%	FEDERAZIONE DEL NORD-EST CREDITO COOPERATIVO ITALIANO
0.001%	CASSA CENTRALE BANCA CREDITO COOPERATIVO ITALIANO
47.147%	

Other

0.196%	ITAS
0.192%	ISA – ISTITUTO ATESINO DI SVILUPPO
0.388%	



STATUTORY BOARDS

BOARD OF DIRECTORS	BOARD OF STATUTORY AUDITORS	ADMINISTRATION	OTHER POSITIONS
CHAIRMAN	CHAIRMAN	GENERAL MANAGER	MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS
Stefano Mengoni	Patrick Bergmeister	Diego Pelizzari	Leo Nicolussi Paolaz
DEPUTY CHAIRMAN	STANDING AUDITORS		INDEPENDENT AUDITORS
Hanspeter Felder	Hildegard Oberleiter Carlo Dellasega		KPMG S.p.A.
DIRECTORS	ALTERNATE AUDITORS		
Cristiana Angeli Paul Gasser** Zenone Giacomuzzi* Alessandro Lunelli* Markus Reichhalter Katrin Teutsch Emiliano Trainotti* Robert Zampieri* Marisa Zeni	Hubert Berger Klaus Steckholzer		

* Members of the Executive Committee
** Chairman of the Executive Committee

SHAREHOLDERS' ORDINARY GENERAL MEETING

The Shareholders are requested to attend the Ordinary General Meeting on 23 April 2024 at 8.00 am for the first meeting date and if necessary on 24 April 2024 as a second option at 11.00 am at the Company Headquarters in Trento – via Paradisi 1, to deliberate upon the following

Agenda

1) Annual Report as at 31 December 2023; report on operations by the Board of Directors and Independent Auditors report; report by the Board of Statutory Auditors; related and following resolutions.
2) Appointment of the Chairman, the Deputy Chairman and the other members of the Board of Directors.
3) Appointment of the Chairman and the other members of the Board of Statutory Auditors.
4) Calculation of the remuneration of Directors and Statutory Auditors.
5) Internal policies regarding controls on risk activities and conflicts of interest with regard to related parties.
6) Compliance with "Remuneration policies".
7) Disclosure regarding the self-assessment process of the Board of Directors.

Pursuant to Article 9 of the Company By-laws, Shareholders have the right to attend the General Meetings and have the right to vote if, at least five days prior to the date on which the meeting is held, they lodged shares with the Company or affiliated Banks or, with reference to Public Entities, with their respective Treasurers. Holders of shares on which an uninterrupted series of endorsements appear also have the right to attend the General Meetings provided they lodged shares as specified above.

The Shareholders' Meeting will be held in person also with the possibility of participating remotely via audio-video link based on the provisions of Article 9 of the By-laws. The connection methods will be communicated through a specific disclosure.

The Chairman
Stefano Mengoni

REPORT ON OPERATIONS

GENERAL ECONOMIC OVERVIEW

Italian and international economic situation[2]

In 2023, there was a weakening of global economic activity. Manufacturing production continued to stagnate and the services dynamics began to lose momentum. In the United States, after a strong expansion in consumption in the third quarter, economic activity started to show signs of a slowdown. In China, the persistent crisis in the real estate sector held back growth, which remained significantly below pre-pandemic levels. International trade recorded a modest growth, influenced by the weakness in demand for goods and by restrictive monetary policies at global level. Despite the accentuated volatility at the beginning of October, crude oil and natural gas prices fell, remaining low despite the attacks on shipping traffic in the Red Sea. In the autumn, core inflation declined in the United States and the United Kingdom, with their respective central banks keeping interest rates unchanged.

In the Eurozone, economic activity remains weak, while consumer inflation is still high (9.2% in December on an annual basis), albeit starting to come down in the last months of the year. Eurosystem experts' projections indicate a slowdown in output in 2023 (0.5%, from 3.4% last year), which is expected to be followed by an acceleration in 2024 and 2025 (1.9% and 1.8% respectively). In comparison with last September, the estimates for 2023 were revised downwards by almost half a percentage point, mainly due to the weakening of the global economic cycle and the persistence of higher prices, which continue to be driven by the energy component, although decelerating in the last quarter (from 41.5% in October to 25.5% in December). The European Central Bank adopted prudent monetary policies. While the markets have already priced in an anticipated reduction for some time, the interest rate on main refinancing transactions rose from 2% at the beginning of the year to 4%, the highest level ever seen since the adoption of the Euro.

In Italy, after the high volatility observed in the first part of the year, GDP performance remained unchanged in the fourth quarter of 2023. According to the most recent ISTAT estimates, the Italian economy recorded 0.7% growth in 2023, a slowdown compared to the significant 3.7% increase recorded in 2022. This modest increase, slightly higher than the European Union average, is mainly attributable to domestic consumption, while there was a significant slowdown in capital investments. Tighter credit conditions and high energy prices held back growth. Manufacturing activity contracted, while the services sector remained stable and the construction sector recorded an increase thanks to tax incentives. Projections indicate a modest increase in GDP of 0.6% in 2024 and 1.1% in the following two years.

Despite the negative phase of 2022, the stock markets remained strong during 2023; the FTSE Mib index rose by 28%. Small and medium-sized companies recorded slightly lower performances (FTSE Italia Mid Cap +13%, FTSE Italia Small Cap +2%), while FTSE Italia Growth, relating to the unregulated SME Euronext Growth Milan market, recorded a decrease.

On the euro bond market front, rates naturally increased, with 10-year German government bonds reaching the 3% threshold at the beginning of October 2023, to then gradually fall to 1.93% by the end of the year. The 10-year Italian government bonds spread, which was above 200 basis points at the beginning of 2023, gradually fell (reaching 150 basis points in mid-June) and then rose again until the beginning of October, returning to a level of 160.

Focusing on business economic activity, the 2023 ISTAT data on national industrial production highlighted a weakness in the "real" Italian economy, which contracted by 2.5% compared to 2022. The decline affected all manufacturing sectors, in particular the wood and paper industry (-13.3%), chemicals (-6.6%) and the textiles/clothing sector (-6.5%). Only the means of transport (+8.1%) and pharmaceutical products (+7.3%) manufacturing sectors showed a growth. Despite the decrease in exports, the Italian trade balance was positive for almost €34.5 billion, a significant improvement compared to the previous year and slightly lower than in 2021.

2 Economic Bulletin, Bank of Italy - January 2024; ISTAT data analysis 2023 – March 2024 update

Trends in credit, mini-bonds and the Euronext Growth Milan market

The trend in loans to companies continues to record a decline on an annual basis (-4.8%), with a more pronounced reduction for companies with fewer than 20 employees (-9.2%, compared to -4.4% for larger companies). This contraction intensified in the construction sector, while it eased in the services sector and while the manufacturing sector remains essentially stable.

According to the information provided by Italian banks in the quarterly Bank Lending Survey conducted last October by the Bank of Italy, in the third quarter the demand by companies for investment loans decreased, against higher demands linked to financing for inventory and working capital. Also according to banks assessments, the decrease in demand for loans was accompanied by a further general tightening of supply criteria. The greater selectivity of disbursement policies is attributable to intermediaries' higher risk perception and lower tolerance, as well as higher funding costs.

With regard to the minibond market[3], in 2023 there were 184 bond issues of value up to €50m, a significant decrease (-104 cases, or a decrease of 36%), for an total value of €1.095 billion, of which 37% were for less than €2m. Also in 2023, the most issuers were SMEs (according to the definition adopted at European level). In particular, 123 out of 165 issuers meet the size criteria; this is a percentage of 74.5%, higher than in 2022 (69.0%). The average value placements in the first half of 2023 was €7.48m, while in the second half year it fell to €5.21m; the average value of issue by SMEs was €3.99m. Only a small portion of securities were listed on a stock exchange market: only three (1.6%) were listed on the Milanese professional stock exchange while, on the other hand, 11 (6.0%) were listed on foreign markets.
With regard to maturity, the distribution continues to be very varied, with a series of short-term securities with a maturity of just a few months and other issues with a longer maturity. The 2023 average value was 5.46 years. As regards the coupon, in 101 issues it was indexed. The remuneration offered has significantly increased, in line with the trend in market rates (the average is 6.69% compared to 5.31% in the previous year). Lastly, the green minibonds issues should be noted: 19 green minibonds and 17 sustainability-linked securities raised €321.45m, or 29% of the entire minibond market annual flow in Italy.
Despite the national context characterised by a generalised decline in share performance, Euronext Growth Milan (EGM)[4] recorded 33 new IPOs which raised €205.2m in equity capital from private institutional investors. The sector composition analysis shows the prevalence of three sectors in 2023: Industry with 13 IPOs (39%), Services (8 IPOs, 24%), and Technology (4 IPOs, 12%). An analysis of the regional breakdown of the 2023 IPOs shows that the new listed companies come from 13 Regions: Lombardy first with 39% of the listings, followed by Emilia-Romagna, Tuscany and Lazio (9%). In terms of capital raising, Lombardy (37%), Emilia-Romagna (22%) and Tuscany (13%) are at the forefront.
According to the analyses of the ECM Euronext Growth Milan Observatory, as at 31 December 2023 the EGM market had 203 companies listed for a total capitalisation of €8.2 billion. In terms of listed companies: the most represented sectors are Industry and Technology (20%), Services (15%) and Finance (11%); the most represented regions are Lombardy (42%), Lazio (11%), Emilia-Romagna (9%) and Veneto (8%).

3 10th Italian Report on minibonds – Mini-Bond Observatory Politecnico of Milan – March 2024.
4 EGM Observatory - IR TOP Consulting - EGM Analysis Jan 2024

THE BANK IN 2023

The just ended year 2023 was characterised by the European Central Bank maintaining interest rates high in order to significantly contribute to the return of inflation to the 2% target. This triggered a significant slowdown in economic growth accompanied by the tightening of credit conditions and, with energy prices still high, to a contraction in investments and consumption stagnation.

In this context, Mediocredito recorded an increase in credit facilities of around 5% compared to 2022, to cover investment programs, including long-term ones, which will consequently be finalised in disbursements also in the coming years. In detail, a total of €306m was awarded to customers, compared to €290m in 2022, in the presence of a reduction in the number of transactions granted (323 against 334 in the previous year) and with a subsequent increase in the average amount approved (€947 thousand compared to €870 thousand in the previous year), in any case confirming the rigorous risk selection and spreading policy.

The volume of new credit disbursed was around €247m, with an increase of 9% compared to the final balance of 2022. The growth is also linked to the development of operations in the leasing sector.

At overall level, the trend in the spread shows a substantial consolidation, standing at 2.10% compared to 2.06% (+4 bps) in 2022, due to the good capacity of commercial structures, as well as the carry-over effect linked to the still increasing market rates that characterised the period under review.

With respect to lending commercial processes, the direct channel was confirmed as the primary instrument for customers acquisition, collaboration with a leading Italian banking group was strengthened, while the contribution of others intermediaries, mostly not banks, remained at levels comparable with the previous year; on the other hand, there was a certain slowdown in the collaboration with the Raiffeisen system, which generated flows of €13m compared to €24m in 2022.

In consideration of this, the overall stock of performing loans recorded a limited decline of 1.4% compared to 2022, with early repayments decreasing compared to previous years but not totally insignificant, a sign of strong competitive pressure on the best customers.

The non-performing loans portfolio recorded a decrease of €3m in gross terms and an increase of approximately €2m in net terms, falling to an incidence of 3.3% on total gross loans and rising slightly to 1.6% of total net loans. Consequently, this portfolio coverage degree underwent a relative reduction to just above 51% (61.8% in December 2022), mostly due to the higher incidence of unlikely to pay loans characterised by lower coverage.

The flow of new impaired loans from performing loans remains at averagely low levels (€12.7m), helping to maintain the gradual reduction of problematic exposures together with the internal recovery and enhancement of impaired exposures.

Furthermore, there are also no significant increases in past due exposures even after the end of the moratoria forbearance measures linked to the COVID-19 pandemic.

On the liabilities side, the bank continued on the challenging path of diversification of sources and fund providers through the development of collection from companies and private individuals, with significant strengthening and stabilisation of liabilities and the relative liquidity indicators: the coverage of the financial requirements occurred through bond issues for about €21m, subscribed by the South Tyrol Raiffeisen system (to which, during the year, bonds for €140m were repaid), but above all through the collection of deposits from retail and corporate customers for €396m, of which €189m collected with the *Conto Rifugio* online deposit account and €81m through the Raisin platform on the German and Austrian markets. The Bank's overall financial management allowed to generate an average positive treasury balance of around €58m, maintaining the liquidity controls represented, for the most part, by significant volumes of securities and loan assets eligible for use as guarantee for refinancing with the Central Bank. During the year, the encumbrance ratio remained on average under 50% with constant compliance with the supervisory limits on short-term and structural liquidity indicators.

Although the average cost of funding recorded a higher increase than the average return on assets, due to the faster repricing of liabilities with respect to increasing market rates, from an economic point of view the net interest income remained above €20m, with an increase of 0.5% compared to the previous year.

Comprehensive income remains still affected by the competitive pressure on the spreads applied to the best counterparties, as well as by the reduction in the average balances of the typical loan portfolio deriving from the severe customer qualitative section process.

Supported by higher revenues from dividend income on equity investments, the operating margin strengthened, recording an increase of 1.9%, while the net interest and other banking income, characterised by the significant impact of losses on the partial disposal of the investment portfolio for approximately €4m, recorded a contraction of 13.5%, reaching just over €21m.

After operating expenses, which amounted to around €12.9m (+3.8%), mainly due to the higher charges linked to the new banking information system, the gross operating income recorded a decrease of 31.5%

compared to the previous year, standing at €8.2m, with the cost to income indicator rising to 61.2% from 50.3% at the end of 2022.
On the other hand, gross and net profit recorded slight recoveries compared to the previous year, thanks to the recognition of lower value adjustments (-113%), mostly influenced by significant collective write-backs, moreover, affected by the application of still worsening scenarios, with respect to the basic settings of the statistical models provider. In this regard, it should be noted that the coverage of the performing loan portfolio remained at around 1.5%, slightly lower than those in 2022 but still at largely virtuous levels compared to the average recorded by the banking sector.
From the point of view of the particularly sound corporate assets, the Tier1 and Total Capital Ratio indicators are close to 25% and the Texas Ratio drops further to 19.3% compared to the 21.5% observed in December 2022.

From an operational and organisational point of view, 2023 was characterised by the significant implementation of the new banking information system on the SIB2000 platform of Allitude S.p.A., following the migration carried out in December 2022. This transition was accompanied by a considerable organisational and operational effort that is not yet completed. The last few months of 2023 saw the Bank's structure particularly committed to providing information support to the Bank of Italy's inspection visit (after the previous one at the end of 2018), which ended at the end of December.

BUSINESS REVIEW

LENDING OPERATIONS

Outline of lending operations (thousands of Euro)

Surveyed activities		2023	2022	% Chg.
credit granted	number	323	334	-3.3
	amount	305,979	290,488	+5.3
credit disbursed	amount	247,053	226,349	+9.1

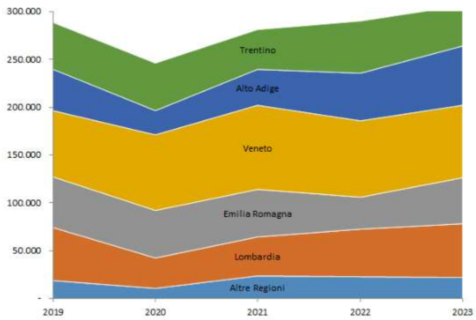
	31 Dec 2023	31 Dec 2022	% Chg.
net loans and advances to customers[5]	998,649	1,010,347	-1.2
impaired	*16,400*	*14,083*	*+16.4*
performing	*982,250*	*996,263*	*-1.4*

Credit granted

Credit granting in 2023 recorded an increase, in terms of volumes, to €306m (+5.3% compared to 2022). The number of borrowers increased from 334 to 323: as a result of this trend, the average amount resolved rose from €870 thousand to €947 thousand.
At product level, the "capital goods lease" line recorded concessions of €50m over 92 transactions (€39m over 93 transactions in 2022), equal to 16% of the total volume.
From a territorial point of view, Trentino - South Tyrol collected 33.8% of the credit lines, followed by Veneto which stood at 24.8%; followed by Lombardy (18.4%), Emilia Romagna (15.9%) and the Other Regions with a residual 7.1%. Overall, Trentino - South Tyrol recorded substantial stability in concessions (-1.3%): the decrease recorded in Trentino (-€13.3m, -24.2%) was substantially offset by the increase in South Tyrol, which benefited from the booking process relating to the FRI Turismo funds pertaining to the NRRP. In Emilia Romagna and in Lombardy there is a significant recovery while other areas show a slowdown of around 5%.

Breakdown of credit granted by area (thousands of Euro)

	2023	%	2022	%	Chg.	% Chg.
Trentino	41,686	13.6	55,004	18.9	-13,317	-24.2
South Tyrol	61,884	20.2	49,888	17.2	+11,996	+24.0
Veneto	75,826	24.8	79,901	27.5	-4,076	-5.1
Emilia Romagna	48,640	15.9	33,291	11.5	+15,349	+46.1
Lombardy	56,364	18.4	49,650	17.1	+6,714	+13.5
Other Regions	21,580	7.1	22,754	7.8	-1,174	-5.2
Total	**305,979**	**100.0**	**290,488**	**100.0**	**15,491**	**+5.3**



At sector level, there was an overall increase in non-financial corporations (+€22.0m, +8.2%), concentrated in particular in the hotel (+€37.8m) and the construction (+€15m, +140.4%) sectors and other services (+€9.9m, +55.4%). On the other hand, there was a decrease in the manufacturing, real estate and transport sectors. The significant growth in the hotel sector is due for €12.5m to the aforementioned booking process relating to the FRI Turismo funds pertaining to the NRRP.
Concessions to public entities (public-private partnership [PPP] transactions), as well as to households and other operators, recorded a decrease (-€9m). Concessions to the financial sector, up by around €3m, mainly concern loans to holding companies.

5 The data include receivables for cash reserves relating to *securitisations* and/or self-securitisations that did not pass the SPPI test and that, therefore, are shown under item 20.c of the financial statement assets (€1.2m in 2023 and €0.2m in 2022).

Breakdown of credit granted by counterparty and economic sector (thousands of Euro)

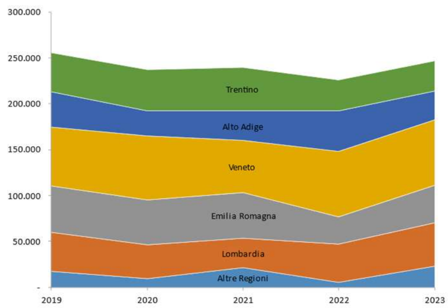
	2023	%	2022	%	Chg.	% Chg.
Non-financial corporations	**290,709**	**95.0**	**268,758**	**92.5**	**+21,951**	**+8.2**
Manufacturing	95,745	31.3	118,665	40.9	-22,920	-19.3
Market services	47,407	15.5	43,804	15.1	+3,603	+8.2
Hospitality	40,594	13.3	2,841	1.0	+37,753	+1,329.0
Other services	27,646	9.0	17,793	6.1	+9,853	+55.4
Building industry	25,506	8.3	10,609	3.7	+14,897	+140.4
Energy	22,813	7.5	23,635	8.1	-822	-3.5
Real Estate	16,924	5.5	28,886	9.9	-11,962	-41.4
Transport services	10,689	3.5	21,970	7.6	-11,281	-51.3
Agriculture	3,385	1.1	556	0.2	+2,829	+509.0
Government Agencies, families and others	**4,270**	**1.4**	**13,456**	**4.6**	**-9,186**	**-68.3**
Financial corporations and banks	**11,000**	**3.6**	**8,274**	**2.8**	**+2,726**	**+32.9**
Total	**305,979**	**100.0**	**290,488**	**100.0**	**+15,491**	**+5.3**

Credit disbursed

In 2023, there was an increase in disbursements (+€20.7m, +9.1%), which brings the total amount of credit disbursed to €247.1m.
From a territorial point of view, the significant performances in Emilia Romagna (+€11m) and Lombardy (+€6m) as well as in the other regions (+€18m) are to be noted; significant decreases were recorded in South Tyrol (-€13m) due to the delays recorded in the procedures for implementing the NRRP in the tourism sector; on the other hand, operations in Trentino and Veneto remained almost stable.

Breakdown of credit disbursed by area (thousands of Euro)

	2023	%	2022	%	Chg.	% Chg.
Trentino	33,101	13.4	34,017	15.0	-915	-0.4
South Tyrol	30,994	12.5	43,846	19.4	-12,852	-5.7
Veneto	71,575	29.0	71,398	31.5	+178	+0.1
Emilia Romagna	40,956	16.6	30,228	13.4	+10,728	+4.7
Lombardy	47,542	19.2	41,708	18.4	+5,834	+2.6
Other Regions	22,884	9.3	5,152	2.3	+17,732	+7.8
Total	**247,053**	**100.0**	**226,349**	**100.0**	**+20,704**	**+9.1**



With regard to the distribution of disbursements by counterparty and economic sector, there was a significant increase in the energy (+€12.8m) and construction (+€10.4m) sectors; the hotel sector (+€5m), manufacturing (+€3m) and agriculture (+€3m) also increased. On the other hand, there was a contraction in the real estate (-€6.9m), trade (-€5.5m) and transport (-€2.6m) sectors. The other services sector remained substantially stable, as did the segments relating to public entities, households and other operators and the financial sector.

Breakdown of credit disbursed by counterparty and economic sector (thousands of Euro)

	2023	%	2022	%	Chg.	% Chg.
Non-financial corporations	**236,157**	**95.6**	**214,747**	**94.9**	**+21,411**	**+10.0**
Manufacturing	105,312	42.6	102,186	45.1	+3,126	+3.1
Market services	35,952	14.6	41,479	18.3	-5,526	-13.3
Other services	23,999	9.7	22,484	9.9	+1,515	+6.7
Building industry	20,204	8.2	9,798	4.3	+10,406	+106.2
Energy	16,637	6.7	3,838	1.7	+12,799	+333.5
Transport services	13,107	5.3	15,666	6.9	-2,559	-16.3
Real Estate	9,769	4.0	16,650	7.4	-6,880	-4.3
Hospitality	7,677	3.1	2,206	1.0	+5,471	+248.1
Agriculture	3,500	1.4	441	0.2	+3,059	+693.9
Government Agencies, families and others	**2,915**	**1.2**	**3,506**	**1.5**	**-588**	**-16.8**
Financial corporations and banks	**7,981**	**3.2**	**8,099**	**3.6**	**-118**	**-1.5**
Total	**247,053**	**100.0**	**226,349**	**100.0**	**+20,704**	**+9.1**

Synergy with co-operative credit

Operations recorded a decrease: when considering, in addition to direct presentations, participations in syndicated loans linked to the co-operative system or in which it is involved, the percentage of disbursements was 11.3% of the total compared to 15.3% of 2022.

Minibonds

In 2023 the subscription of minibonds issued by companies was lower than in previous year (from €21.3m in 2022 to €17.3m in 2023) and involved 13 bond loans (13 also in 2022); for six of these, in particular, the Bank also acted as arranger and advisor, underwriting the entire amount issued.

Performing loans[6]

Typical performing loans to customers contracted by 1.7% compared to 2022, remaining in any case at around €1 billion. Significant decreases were recorded in Trentino - South Tyrol (-€21m in Trentino and -€15m in South Tyrol) and, less significant, in Emilia Romagna (-€3.7m), while significant increases were recorded in Lombardy (+€11.4m) and in the other areas (+€9.1m). On the other hand, Veneto was essentially stable.

Breakdown of typical gross performing loans and advances by area (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Trentino	195,239	19.6	216,127	21.4	-20,889	-9.7
South Tyrol	167,947	16.9	183,355	18.1	-15,408	-8.4
Veneto	257,700	25.9	254,988	25.2	+2,712	+1.1
Emilia Romagna	128,780	12.9	132,488	13.1	-3,708	-2.8
Lombardy	169,948	17.1	158,741	15.7	+11,402	+7.2
Other Regions	75,918	7.6	66,800	6.6	+9,120	+13.7
Total typical loans and advances	**995,532**	**100.0**	**1,012,303**	**100.0**	**-16,770**	**-1.7**
Loans and advances from SPV securitisations	*1,170*		*195*		*+975*	*+500.0*
Total performing loans and advances	**996,702**		**1,012,498**		**-15,796**	**-1.4**

Overall, it should be noted that 36.5% of the performing loans portfolio remains allocated to lending operations in Trentino-South Tyrol (it was 39.5% as at 31 December 2022).

Typical performing loans and advances by counterparty and economic sector (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Non-financial corporations	**918,578**	**92.3**	**924,438**	**91.3**	**-5,860**	**-0.6**
Manufacturing	347,765	34.9	339,159	33.5	+8,606	+2.5
Market services	115,575	11.6	120,024	11.9	-4,449	-3.7
Energy	101,609	10.2	108,955	10.8	-7,346	-6.7
Other services	79,564	8.0	75,166	7.4	+4,397	+5.8
Real Estate	69,216	7.0	76,096	7.5	-6,879	-9.0
Transport services	65,842	6.6	67,014	6.6	-1,173	-1.7
Hospitality	65,721	6.6	69,405	6.9	-3,683	-5.3
Building industry	51,583	5.2	38,219	3.8	+13,346	+35.0
Agriculture	21,704	2.2	30,400	3.0	-8,696	-28.6
Government Agencies, families and others	**51,919**	**5.2**	**54,850**	**5.4**	**-2,930**	**-5.3**
Financial corporations and banks	**25,035**	**2.5**	**33,210**	**3.3**	**-7,980**	**-24.2**
Total	**995,532**	**100.0**	**1,012,303**	**100.0**	**-16,770**	**-1.7**

Loans and advances to non-financial corporations amounted to €919m against €924m at the end of 2022: the increase was focused particularly on construction (+€13.3m; +35.0%) and manufacturing (+€8.6m; +2.5%) sectors; other services are also increasing (+€4.4m; +5.8%). On the other hand, the agriculture (-€8.7m; -28.6%), energy (-€7.3m; -6.7%), trade (€4.4m; -3.7%) and hospitality (-€3.7m; -5.3%) sectors contracted,

6 Loans and advances are shown in the tables relative to overall amounts are shown gross of value adjustments but net of exposures to securitisations.

as did the financial and Government Agencies sector. The transport sector remains almost stable.

Typical performing loans and advances by counterparty and economic sector (no. of customers)

	31 Dec 2023	Average amount	31 Dec 2022	Average amount
Non-financial corporations	**1,292**	**711.0**	**1,378**	**671.9**
Manufacturing	472	736.8	449	738.9
Agriculture	199	109.1	279	109.0
Market services	155	745.6	163	736.3
Hospitality	99	663.9	101	687.2
Other services	96	828.8	100	766.6
Energy	89	1,141.7	91	1,197.3
Building industry	71	726.5	65	588.0
Real Estate	58	1,193.4	66	1,153.0
Transport services	53	1,242.3	54	1,241.0
Government Agencies, families and others	**127**	**409**	**136**	**403.3**
Financial corporations and banks	**13**	**1,925.8**	**14**	**2,251.3**
Total	**1,432**	**695.2**	**1,528**	**662.5**

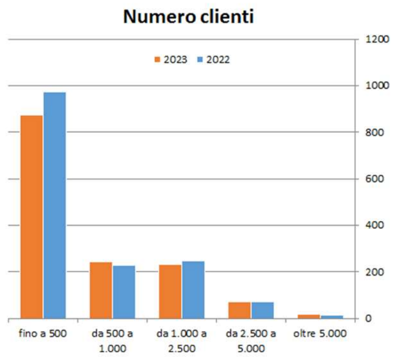
In terms of concentration, the average amount of performing loans was up by €33 thousand compared with the past and, in particular, the following phenomena are highlighted:

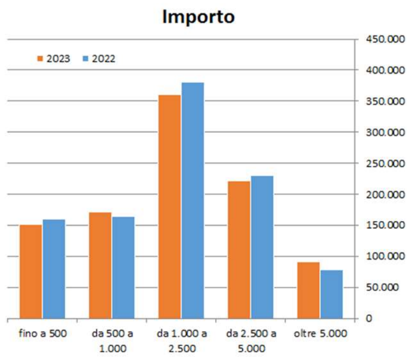
- one in three customers belongs to the manufacturing sector;
- among non-financial corporations, the energy, real estate and transport sectors show average amounts exceeding €1m;
- loans to financial corporations, numerically negligible (less than 1% of customers) are characterised by on average greater tranches.

Typical performing loans and advances: breakdown of customers by amount loaned (thousands of Euro)

	No. of customers	Amount	Customer %	Amount %	Average amount
up to 500	873	150,642	61.0	15.1	173
from 500 to 1,000	241	171,646	16.8	17.2	712
from 1,000 to 2,500	233	359,961	16.3	36.2	1,545
from 2,500 to 5,000	69	221,590	4.8	22.3	3,211
above 5,000	16	91,694	1.1	9.2	5,731
Total	**1,432**	**995,532**	**100.0**	**100.0**	**695**

Distribution by loan amount – 2023/2022 comparison by number and amount





In relation to the indices of the performing loans portfolio, worth mentioning are the following events:

- the overall amount of transactions with borrowers with an overall exposure exceeding €2.5m was equal to 31.2% of the total, up against the situation recorded at the end of 2022 (30.4%);
- the incidence on the total of the loans for the top transaction remained stable (0.7%); that for the top 20 transactions (from 8.6% to 9.0%) and that for the top 100 transactions (from 28.7% to 29.0%), however, increased.

Typical gross performing loans and advances: top exposures (thousands of Euro)

	Dec 2023	%	Dec 2022	%
Top transaction	7,177	0.7	6,954	0.7
Top 20 transactions	89,980	9.0	87,450	8.6
Top 100 transactions	289,188	29.0	290,063	28.7

With regard to the concentration of individual borrowers, the performing loans portfolio shows that:

- overall exposure to the top borrower was stable (0.7%);
- overall exposure to the top 20 borrowers increased from 10.8% to 11.1%, while the exposure to the top 100 borrowers increased from 34.4% to 35.2%;
- the incidence of exposures referring to the first group is up (1.4% compared to 1.1%), as well as that referring to the first 100 groups (39.5% compared to 37.6%). There was also a slight increase in the incidence of exposures relating to the top 20 groups (13.8% compared to 13.2%).

Typical gross performing loans and advances: top customers (thousands of Euro)

	Dec 2023	%	Dec 2022	%
Top borrower	7,177	0.7	7,466	0.7
Top 20 borrowers	110,535	11.1	109,322	10.8
Top 100 borrowers	350,004	35.2	347,737	34.4

Typical gross performing loans and advances: top groups of borrowers (thousands of Euro)

	Dec 2023	%	Dec 2022	%
Top group of borrowers	13,514	1.4	11,181	1.1
Top 20 groups of borrowers	137,631	13.8	133,347	13.2
Top 100 groups of borrowers	393,451	39.5	381,117	37.6

Note that the exposure of the top group in 2023 is related to a customer mainly active in the energy sector while in 2022 it related to a government agency.

High exposures

With regard to "high exposures", in accordance with current legislation we can report the following situation as at 31 December 2023:

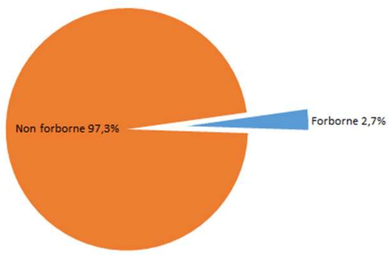
	Dec 2023		Dec 2022	
Counterparty	**Nominal**	**Weighted**	**Nominal**	**Weighted**
Governments	695,030	-	480,763	-
Bank of Italy	20,000	20,000	20,000	20,000
Banks	71,834	71,834	67,189	67,189
Supranational bodies	38,579	-	-	-
Ordinary customers	-	-	-	-
Total	**825,443**	**91,834**	**567,952**	**87,189**

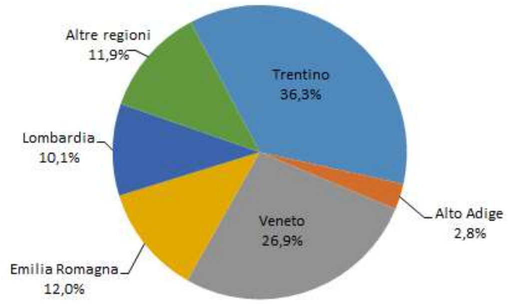
Exposures to Governments relate, for €524m, to securities eligible for refinancing with the European Central Bank and, for €171m, to guarantees granted by the state through the Central Guarantee Fund.
The exposure to supranational entities relates to guarantees granted by the European Investment Fund.
The exposure to the Bank of Italy represents an equity investment in the share capital of the same.
The Bank has no large exposures to ordinary customers.

Performing loans subject to forbearance measures – "Forborne"

Performing loans subject to forbearance measures (forborne) amounted to €27.2m, equal to 2.7% of the total, and were markedly down (-€46m, -62.8%) thanks to the exit of a substantial portfolio of positions that have passed the probation period, at the time classified as forborne as beneficiaries of Covid moratoria on the basis of the Cura Italia Decree.
They are mainly concentrated in the province of Trento (36.3%) and in Veneto (26.9%). In the other areas of the Bank's business, the phenomenon represents values between 2.8% and 12.0%.

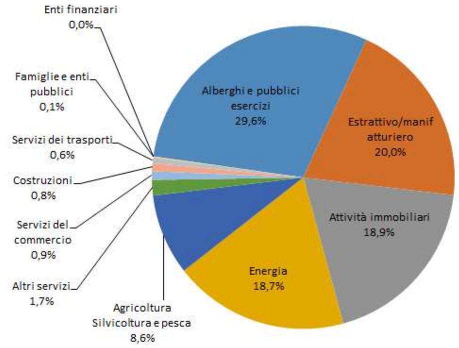
Performing loans subject to forbearance measures (forborne) by geographical area



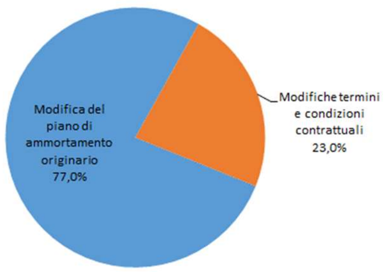


Performing loans subject to forbearance measures (forborne) by counterparty and economic sector

At sector level, 29.6% of the forbearance measures benefited companies active in the hotel sector and 20.0% of companies in the mining and manufacturing sector. To a lesser extent, the real estate (18.9%), energy (18.7%) and agriculture (8.6%) sectors received subsidies, while all other sectors show percentages of less than 2% of forborne loans.



Performing loans subject to forbearance measures (forborne) by type of forbearance measure



Depending on the type of forbearance measure, 77% of loans benefited from the change in the original amortisation plan and 23.0% from the amendment to other contractual terms and/or conditions.

Impaired loans

The amount of gross impaired loans is down by 9% with a change, compared to the end of 2023, of €3.3m: in detail, the doubtful portfolio decreased by €9m (-44.3%), unlikely to pay loans increased by €5.5m (+33.2%), while past due exposures increased by €0.1m.
The following tables show the situation of impaired loans and a comparison with 31 December 2022.

Loans and advances to customers (thousands of Euro)

Dec 2023	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans	**33,530**	**17,130**	**16,400**	**3.3**	**1.6**	**51.1**
- doubtful	11,178	7,663	3,515	1.1	0.4	68.6
- unlikely to pay	22,090	9,449	12,642	2.1	1.3	42.8
- past due	261	18	243	0.0	0.0	7.1
Performing loans [7]	**996,702**	**14,453**	**982,250**	**96.7**	**98.4**	**1.5**
Stage 1	854,561	4,547	850,014	82.9	85.1	0.5
Stage 2	142,141	9,906	132,235	13.8	13.2	7.0
Total loans	**1,030,232**	**31,583**	**998,649**	**100.0**	**100.0**	**3.1**

Dec 2022	Gross exposure	Overall adjustments	Net exposure	% gross loans	% net loans	% coverage
Impaired loans	**36,838**	**22,754**	**14,083**	***3.5***	***1.4***	**61.8**
- doubtful	20,081	13,697	6,384	*1.9*	*0.6*	68.2
- unlikely to pay	16,586	9,040	7,546	*1.6*	*0.7*	54.5
- past due	170	17	153	*0.0*	*0.0*	10.0
Performing loans [7]	**1,012,498**	**16,234**	**996,264**	***96.5***	***98.6***	**1.6**
Stage 1	847,888	5,320	842,568	80.8	83.4	0.6
Stage 2	164,610	10,914	153,695	15.7	15.2	6.6
Total loans	**1,049,336**	**38,988**	**1,010,347**	***100.0***	***100.0***	**3.7**

% change 2023/2022	Gross exposure	Overall adjustments	Net exposure
Impaired loans	**-9.0**	**-24.7**	**+16.4**
- doubtful	-44.3	-44.1	-44.9
- unlikely to pay	+33.2	+4.5	+67.5
- past due	+53.4	+8.4	+58.4
Performing loans	**-1.6**	**-11.0**	**-1.4**
Stage 1	+0.8	-14.5	+0.9
Stage 2	-13.6	-9.2	-14.0
Total loans	**-1.8**	**-19.0**	**-1.2**

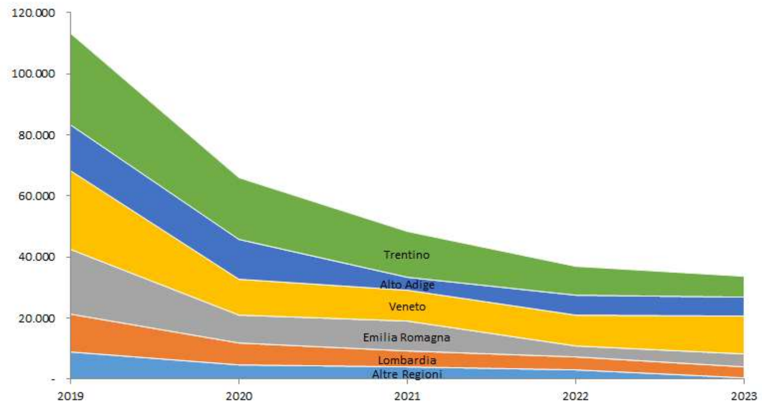
The situation outlined above, also in the presence of a reduction in performing loans to customers (-1.6% gross, -1.4% net), shows a substantial stability in the incidence of impaired loans compared to the total overall loan portfolio, of 3.3% gross (compared to 3.5% in 2022) and 1.6% net (compared to 1.4% in 2022). The degree of coverage of the non-performing portfolio rose from 61.8% to 51.1%; the decrease of 10.7% is due, for 3.0%, to the higher incidence of unlikely to pay loans with respect to total NPLs and for the remaining 7.7% to the effect of the breakdown of unlikely to pay positions following entries during the year.
The coverage of performing loans remained substantially stable, going from 1.6% to 1.5%; for a complete analysis of the criteria for determining collective impairment, please refer to Part A of the Notes to the Financial Statements.

7 The data include receivables for cash reserves relating to *securitisations* and/or self-securitisations that did not pass the SPPI test and that, therefore, are shown under item 20.c of the financial statement assets (€1.2m in 2023 and €0.2m in 2022).

Gross impaired loans by area (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Trentino	6,532	19.5	9,386	26.0	-2,853	-30.4
South Tyrol	6,283	18.7	6,486	17.9	-203	-3.1
Veneto	12,517	37.3	10,011	27.7	+2,506	+25.0
Emilia Romagna	4,116	12.3	3,650	9.9	+466	+12.8
Lombardy	3,543	10.6	4,330	12.0	-787	-18.2
Other Regions	538	1.6	2,976	8.2	-2,438	-81.9
Total impaired loans	**33,530**	**100.0**	**36,838**	**100.0**	**-3,308**	**-9.0**

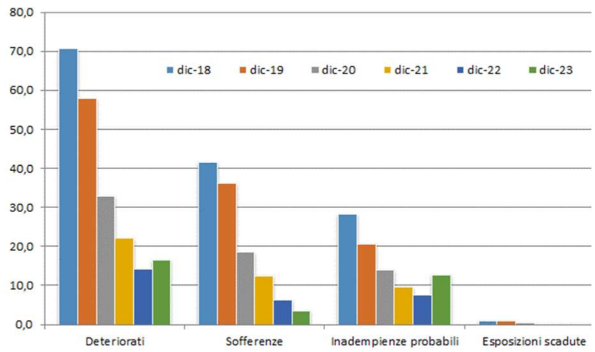
Trend in gross impaired loans by area 2019-2023

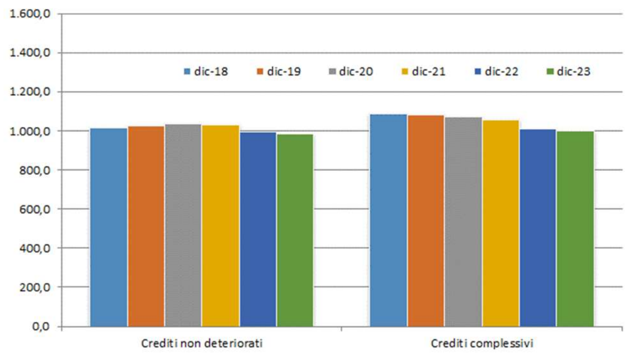


Impaired loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Non-financial corporations	**29,134**	**86.9**	**35,594**	**96.6**	**-6,460**	**-18.1**
Manufacturing	8,160	24.3	9,042	24.5	-881	-9.7
Hospitality	5,354	16.0	5,606	15.2	-252	-4.5
Agriculture	3,677	11.0	3,786	10.3	-109	-2.9
Building industry	2,844	8.5	4,608	12.5	-1,764	-38.3
Transport services	2,474	7.4	3,234	8.8	-460	-23.5
Real Estate	2,402	7.2	6,294	17.1	-3,892	-61.8
Market services	1,952	5.8	524	1.4	+1,428	+272.8
Other services	1,863	5.6	1,631	4.4	+232	+14.2
Energy	408	1.2	870	2.4	-462	-53.1
Government Agencies, families and others	**403**	**1.2**	**488**	**1.3**	**-85**	**-17.5**
Financial corporations and banks	**3,993**	**11.9**	**756**	**2.1**	**+3,238**	**+428.5**
Total	**33,530**	**100.0**	**36,838**	**100.0**	**-3,308**	**-9.0**

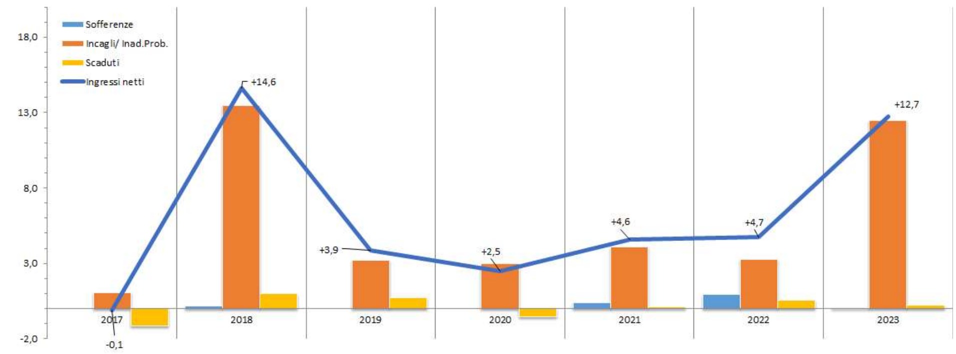
Trend in net loans (millions of Euro)



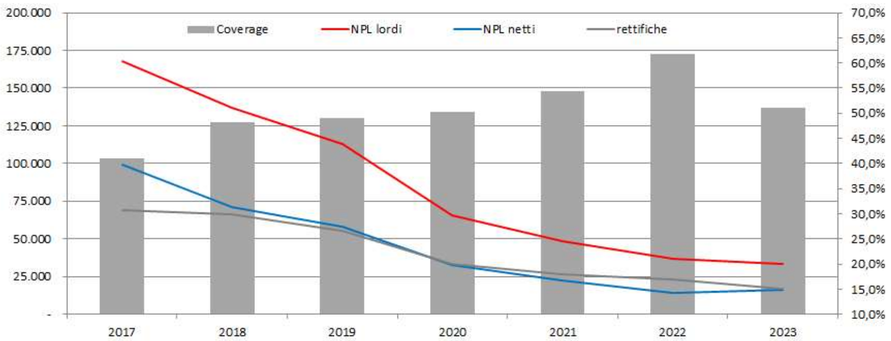


The net flow of new impaired loans shows new unlikely to pay loans for €12.5m and new impaired past due loans for €0.2m.

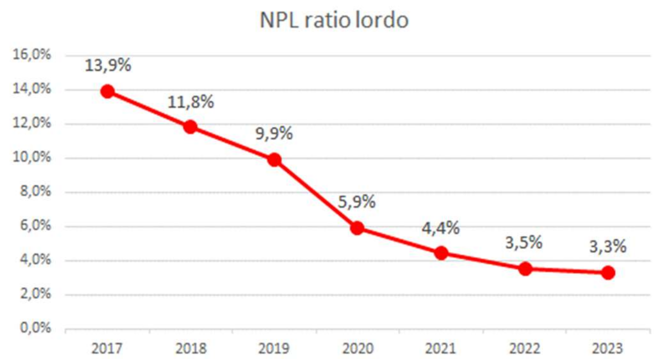
Net flow of new impaired loans coming from performing loans (millions of Euro)



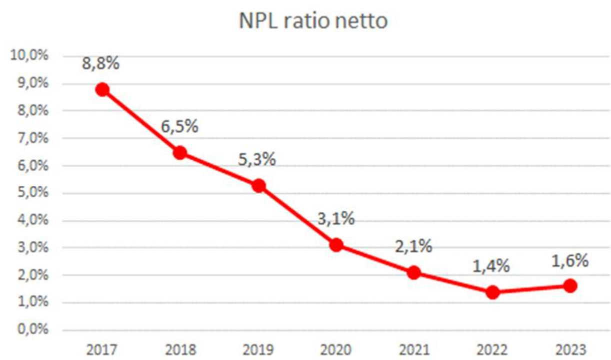
Gross and net NPLs, adjustments and coverage: 2017-2023 performance



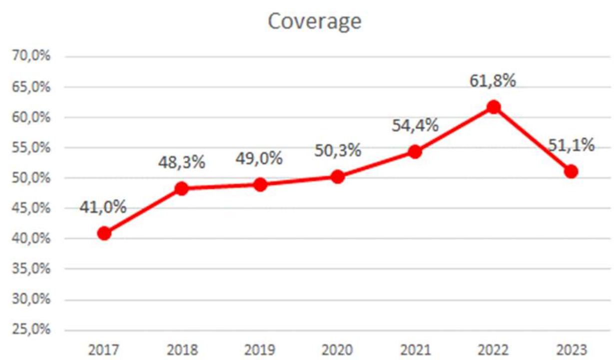
Gross NPL ratio: 2017-2023 performance



Net NPL ratio: 2017-2023 performance



NPL coverage ratio: 2017-2023 performance

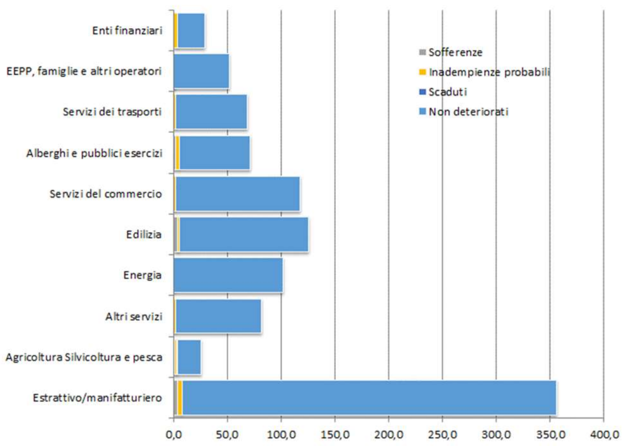


At sector level, the incidence of impaired loans on the overall typical loan portfolio shows a net improvement in the construction sector, with 5.2% of impaired loans (only 3 years ago, in 2020, it was 31.7%), and in loans to companies operating in the real estate sector, with 3.4% of impaired loans (it was 11.3% in 2020). On the other hand, the incidence of impaired loans in the agricultural sector is gradually increasing, due to the decline in the overall credit portfolio, as is also the case in the financial sector.

Gross impaired loans: incidence of each status by counterparty and economic sector (data in %)

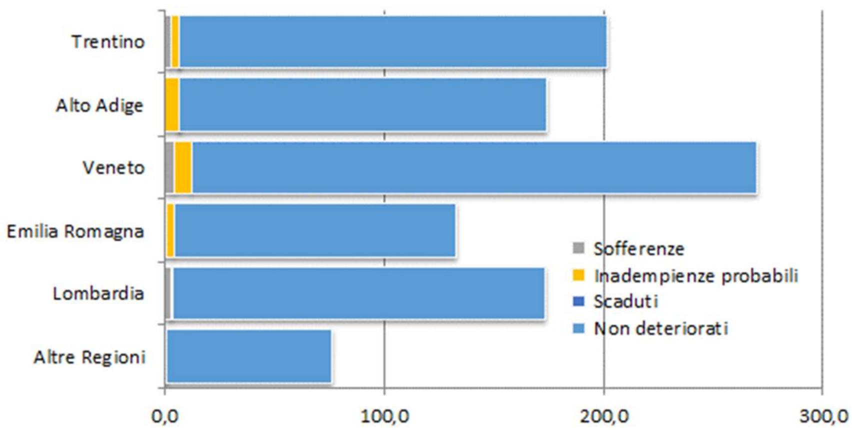
	Doubtful loans	Unlikely to pay	Past due	Total
Non-financial corporations	**1.1**	**1.9**	**0.0**	**3.1**
Manufacturing	1.0	1.3	1.0	**2.3**
Agriculture	6.5	7.0	0.0	**14.5**
Other services	0.0	2.3	0.0	**2.3**
Energy	0.0	0.4	0.0	**0.4**
Real Estate	2.0	1.3	0.0	**3.4**
Building industry	4.4	0.8	0.0	**5.2**
Market services	0.0	1.7	0.0	**1.7**
Hospitality	2.5	5.0	0.0	**7.5**
Transport services	0.0	3.6	0.0	**3.6**
Government Agencies, families and others	**0.6**	**0.2**	**0.0**	**0.8**
Financial corporations and banks	**0.0**	**13.8**	**0.0**	**13.8**

Gross impaired loans: overall incidence by counterparty and economic sector (millions of Euro)



As regards the geographical distribution, it can be noted how the incidence of impaired loans is significant, although on security levels, in the Trentino-South Tyrol area which in the past had only marginally been affected by disposals.

Gross impaired loans: overall incidence by geographical area (millions of Euro)



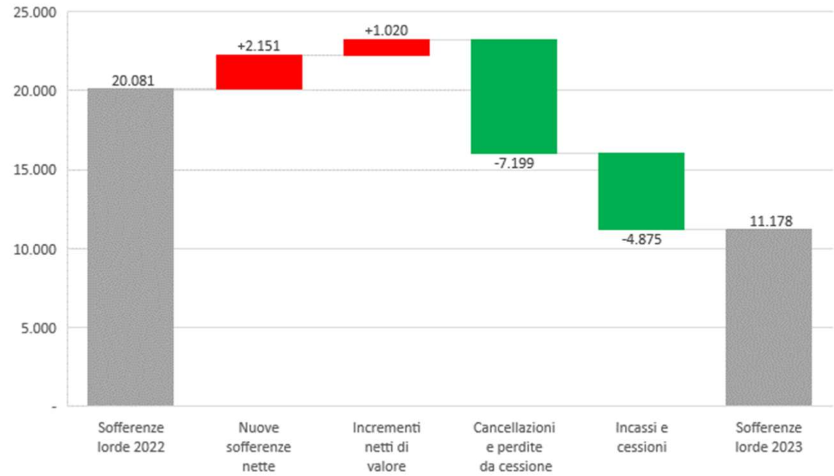
Gross impaired loans: incidence of each status by area (data in %)

	Doubtful loans	Unlikely to pay	Past due	Total
Trentino	1.6	1.5	0.1	**3.2**
South Tyrol	0.0	3.6	0.0	**3.6**
Veneto	1.5	3.1	0.0	**4.6**
Emilia Romagna	0.5	2.6	0.0	**3.1**
Lombardy	1.6	0.4	0.0	**2.0**
Other Regions	0.4	0.3	0.0	**0.7**

Doubtful loans

Doubtful loans gross of write-downs amounted to €11.2m, down by €8.9m in comparison to 2022. The trend is characterised by approximately €2.2m of new doubtful loans, €7.2m of write-offs and €4.9m of collections and disposals.

Trend in gross doubtful loans 2022-2023 (thousands of Euro)

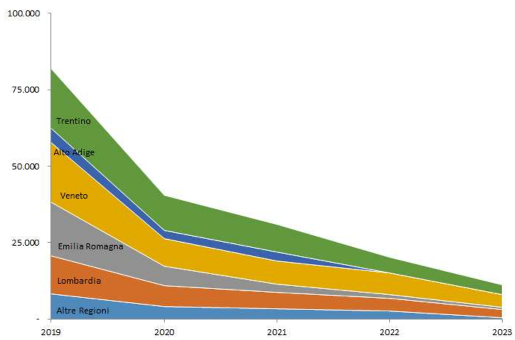


Geographically, doubtful loans are mainly concentrated in Veneto and Trentino (€4.2m and €3.3m, respectively), areas that also recorded the most significant contraction (-41.2% and -36.5%); Lombardy (€2.8m) and the Other Regions (€0.3m) follow, with a significant transversal decrease in all areas. Also in this year, there were no doubtful loans in South Tyrol.

Breakdown of gross doubtful loans by area (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Trentino	3,254	29.1	5,126	25.5	-1,873	-36.5
South Tyrol	-	-	-	0.0	-	
Veneto	4,155	37.2	7,065	35.2	-2,910	-41.2
Emilia Romagna	715	6.4	1,125	5.6	-410	-36.4
Lombardy	2,774	24.8	4,285	21.3	-1,511	-35.3
Other Regions	280	2.5	2,479	12.3	-2,199	-88.7
Total	**11,178**	**100.0**	**20,081**	**100.0**	**-8,903**	**-44.3**

Trend in gross doubtful loans by area 2019-2023



The sectors related to the building industry – constructions and real estate – with almost €3.9m (34.6% of the portfolio) remained the top collectors of delinquent loans even if in sharp decline, in terms of balances, compared to 2022 (-€6.3m). The manufacturing sector decreased by €2.6m, while the hotel segment bucked the trend, recording an increase of €1.5m.
The transport, trade, energy and other services sectors did not show any doubtful loans.

Breakdown of gross doubtful loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Non-financial corporations	**10,872**	**97.3**	**19,775**	**98.5**	**-8,903**	**-45.0**
Manufacturing	3,569	31.9	6,126	30.5	-2,557	-41.7
Building industry	2,411	21.6	4,458	22.2	-2,047	-45.9
Hospitality	1,789	16.0	270	1.3	+1,519	+563.5
Agriculture	1,650	14.8	1,780	8.9	-130	-7.3
Real Estate	1,453	13.0	5,703	28.4	-4,250	-74.5
Market services	-	0.0	524	2.6	-524	-100.0
Energy	-	0.0	870	4.3	-870	-100.0
Other services	-	0.0	43	0.2	-43	-100.0
Transport services	-	0.0	-	0.0	-	-
Government Agencies, families and others	**306**	**2.7**	**306**	**1.5**	**-**	**-**
Financial corporations and banks	**-**	**-**	**-**	**0.0**	**-**	**-**
Total	**11,178**	**100.0**	**20,081**	**100.0**	**-8,903**	**-44.3**

Doubtful loans, net of value adjustments, amounted to €3.5m, down €2.9m compared to the figure in December 2022.
The ratio of net doubtful loans to total net loans to customers was 0.4%, progressively down compared to 0.6% at the end of the previous financial year; the ratio gross of value adjustments went from 1.9% in 2022 to 1.1%. The degree of coverage of doubtful loans was 68.6%, almost stable compared to the figure at the end of 2022 (68.2%).

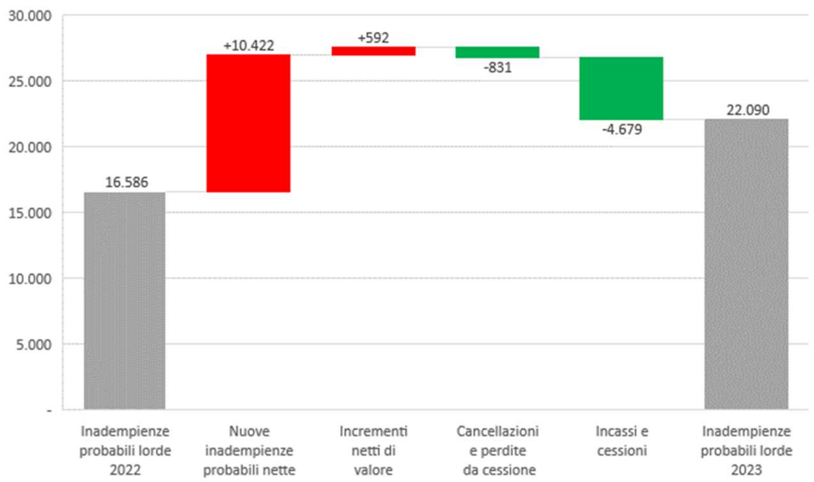
Key ratios relative to doubtful loans

in %	Dec 2023	Dec 2022
Gross doubtful loans / gross loans to customers	1.1	1.9
Gross doubtful loans / own funds	5.8	11.0
Net doubtful loans / net loans to customers	0.4	0.6
Net doubtful loans / own funds	1.8	3.5

Unlikely to pay loans

The unlikely to pay category gross of write-downs amounted to €22.1m, an increased volume compared to that at the end of 2022 (+€5.5m, +33.2%). The trend is characterised by a flow of new unlikely to pay loans of €10.4m and approximately €4.7m of collections.

Trend in gross unlikely to pay loans 2022-2023 (thousands of Euro)

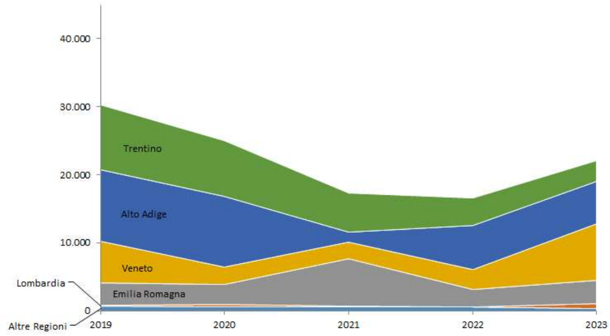


At geographical level, there was a significant increase in Veneto (+€5.4m; +183.9%) while Emilia Romagna and Lombardy recorded less significant increases in absolute value. In Trentino - South Tyrol and in the other regions, on the other hand, there were decreases of €1.3m and €0.2m respectively.

Breakdown of gross unlikely to pay loans by area (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Trentino	3,031	13.7	4,090	24.7	-1,059	-25.9
South Tyrol	6,270	28.4	6,486	39.1	-217	-3.3
Veneto	8,362	37.9	2,946	17.8	+5,416	+183.9
Emilia Romagna	3,401	15.4	2,525	15.2	+877	+34.7
Lombardy	769	3.5	45	0.3	+725	+1,626.0
Other Regions	257	1.2	496	3.0	-238	-48.1
Total	**22,090**	**100.0**	**16,586**	**100.0**	**+5,504**	**+33.2**

Trend in gross unlikely to pay loans by area 2019-2023



Breakdown of gross unlikely to pay loans by counterparty and economic sector (thousands of Euro)

	31 Dec 2023	%	31 Dec 2022	%	Chg.	% Chg.
Non-financial corporations	**18,000**	**81.5**	**15,650**	**94.4**	**+2,351**	**+15.0**
Manufacturing	4,591	20.8	2,916	17.6	+1,675	+57.5
Hospitality	3,565	16.1	5,337	32.2	-1,771	-33.2
Transport services	2,474	11.2	3,234	19.5	-760	-23.5
Market services	1,952	8.8	-	0.0	+1,952	
Other services	1,863	8.4	1,588	9.6	+275	+17.3
Agriculture	1,765	8.0	1,836	11.1	-70	-3.8
Real Estate	949	4.3	590	3.6	+358	+60.7
Building industry	433	2.0	150	0.9	+283	+189.4
Energy	408	1.8	-	0.0	+408	
Government Agencies, families and others	**96**	**0.4**	**181**	**1.1**	**-85**	**-46.7**
Financial corporations and banks	**3,993**	**18.1**	**756**	**4.6**	**+3,238**	**+428.5**
Total	**22,090**	**100.00**	**16,586**	**100.0**	**+5,504**	**+33.1**

The unlikely to pay category, net of value adjustments, totalled €12.6m, up by 67.5% compared to 31 December 2022. The ratio of net unlikely to pay loans to total net loans to customers was 1.3% compared to 0.7% at the end of the previous period.

Key ratios relative to unlikely to pay loans

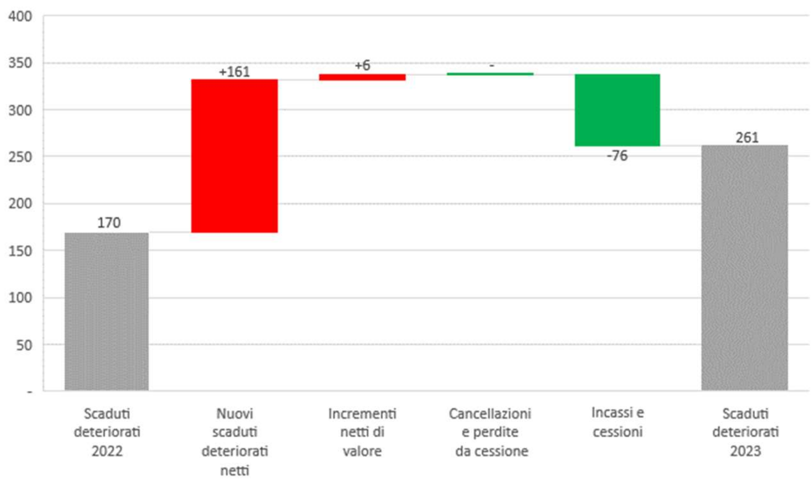
in %	Dec 2023	Dec 2022
Gross unlikely to pay loans / gross loans to customers	2.1	1.6
Net unlikely to pay loans / net loans to customers	1.3	0.7

Past due loans

This item is made up of all cash loans to borrowers (not included in the other categories of impaired loans) whose debts are overdue by more than 90 days according to the criteria established by the Supervisory Authority. Net of value adjustments, these loans totalled €0.2m, stable in absolute terms compared to 31 December 2022. The ratio of past due loans to total net loans is immaterial.

This category of impaired loans is characterised by changes of a limited amount (€244 thousand of reclassifications from performing loans offset by transfers to unlikely to pay loans for €84 thousand, collections for €76 thousand).

Trend of gross past due loans 2022-2023 (thousands of Euro)



COVID-19 moratoria analyses

The table below shows the amounts of the COVID-19 moratoria granted to customers pursuant to law (mainly Law Decree 18 of 17 March 2020), in application of industry agreements (ABI Agreements) or on the initiative of the Bank.

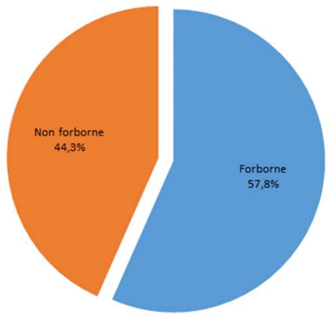
Moratoria in place	31/12/2023	31/12/2022	% Chg.
No. Relationships	-	2	-100.0
Exposures	-	277	-100.0

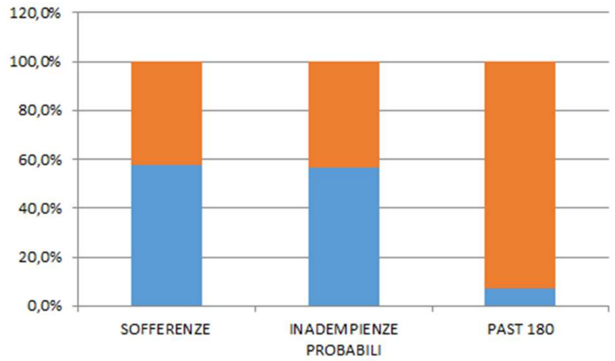
At the date of approval of these financial statements, there were no moratoria in place.

Impaired loans subject to forbearance measures – "Forborne"

Impaired loans subject to forbearance measures amounted to €19.0m, equal to 57.8% of the total; approximately 57.7% of doubtful loans, 56.7% of unlikely to pay loans and 7.0% of past due loans benefited from forbearance measures.

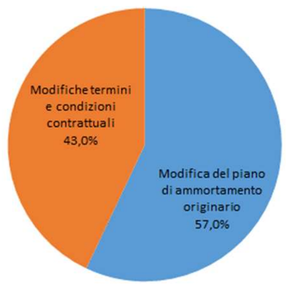
Impaired loans subject to forbearance measures (forborne) by status





Impaired loans subject to forbearance measures (forborne) by type of forbearance measure

Depending on the type of forbearance measure, 57.0% of impaired loans benefited from a change in the original amortisation plan while 43.0% benefited from an amendment to other contractual terms/conditions.



EQUITY INVESTMENT ACTIVITIES

Equity Investment

Equity investment activities, both direct and through participation in closed-end securities investment funds, showed overall amounts of approximately €75.9m, up by 8.6% (+€6.0m) compared to 31 December 2022. Please note the sale in 2023 of the equity investment in Casasold S.p.A. for €13 thousand and the purchase of the following equity investments:

- Dovevivo S.p.A. for €1.0m (subscribed and paid in)
- Isa Wines S.p.A. for €1.0 million (subscribed and paid in);
- Trento Funivie S.p.A. for €0.3m (€0.1m paid in);
- FT Phaos S.r.l. for €0.5m (€0.03m paid in).

The Bank also acquired the following units of closed-end securities funds:

- Ver Capital Sinloc Transition Energy, with payment of €0.2m against a commitment of €1m;
- Made in Italy Fund, with payment of €0.04 million against a commitment of €1 million;
- Nextalia Crediti Opportunities, with payment of €0.2m against a commitment of €1m.

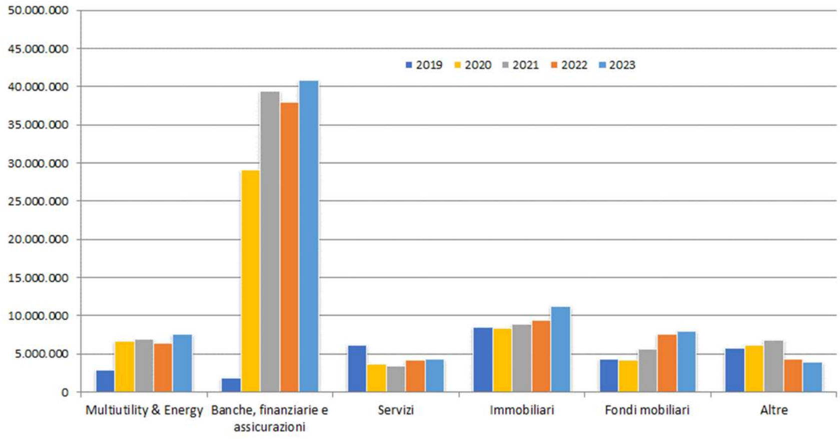
Payments of units in some funds already in the portfolio continued for €0.8m.

It should be noted that treasury equity investments, during the half-year, recorded positive changes in fair value, recognised in equity, for a total of €4.1m, due to the positive trend in stock market prices.

Equity Investments (thousands of Euro)

	Dec 2023				Dec 2022			
	FVTPL	OCI Option	Equity investments	Total	FVTPL	OCI Option	Equity investments	Total
Investments in UCITS	17,626	-	-	17,626	16,550	-	-	16,550
Institutionals and debt recovery	-	2,689	550	3,239	-	2,532	336	2,867
Other investments	-	12,489	-	12,489	-	12,075	-	12,075
Treasury	-	42,502	-	42,502	-	38,380	-	38,380
Total	**17,626**	**57,680**	**550**	**75,856**	**16,550**	**52,986**	**336**	**69,872**
of which: level 1	**-**	**27,922**	**-**	**27,922**	**-**	**25,392**	**-**	**25,392**

Equity investments by economic sector (millions of Euro)



Equity investments

Paradisidue S.r.l. – Trento

The real estate company, established in 2003 and wholly controlled by the Bank, allows it to participate directly - where appropriate - in judicial auctions of real estate properties as collateral for disputed financing transactions. At the balance sheet date, the company owns four properties at a value that is consistent with the appraisal value and a photovoltaic barrier in Oppeano (VR). In particular, a property was valued in 2014 and the placement on the real estate market of the related real estate portions is at the conclusive stage (with different contractual forms); two properties are leased, while the photovoltaic plant derives from an impaired loan to the Bank. Following the income contribution of this latter investment, the company closed the 2023 financial year with a profit of approximately €158 thousand.

(thousands of Euro)

Balance as at 31/12/2022	**335.7**
Purchases	-
Sales/Redemptions	-
Gains	+214.3
Losses	-
Balance as at 31/12/2023	**550.0**
Stake held	**100.000**

Note on investments in UCITS

Closed-end real estate investment fund Finint Fenice

The Fund was set up by Finint Investments SGR of the Finanziaria Internazionale group. The Fenice Fund consists of contributions from banks and leasing companies through the purchase and valuation of buildings already repurchased by banks, buildings under auction or bankruptcy proceedings, as well as impaired loans backed by a mortgage guarantee. The Bank granted certain positions by subscribing units for a total amount of approximately €9.3m. The good management of the fund is allowing a gradual recovery of value, expressing a positive change in fair value of €675 thousand. The fund's recovery in profitability is also expected to continue in the near future so there are expectations of income distribution.

Balance as at 31/12/2022	**9,017.3**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+675.1
Balance as at 31/12/2023	**9,692.4**

Securities investment fund Industry 4.0 Sicav

This is a Private Equity fund reserved for institutional investors, which aims at investing and enhancing SMEs strongly oriented towards innovation and technological interconnection, considered preparatory elements for the acceleration of business and competitiveness. The fund is aimed at leading companies in the reference market, with a vocation for internationalisation and a strong propensity to digitalise the production chain. The large number of Italian SMEs, in which there is the lowest level of investment compared to the European scenario, constitutes a large audience of opportunities and high potential for development in the frontier technology sector.
During 2023, the equalisation repayments made by the fund exceeded the payments made by the Bank (-€252 thousand net repayment). The most recent share unit value – determined by the asset management company – was €602.14, generating a negative change in fair value of €163 thousand.

Balance as at 31/12/2022	**2,221.6**
Purchases	-
Sales/Redemptions	-252.1
Gains/Losses on disposal	-
Fair value changes	-163.1
Balance as at 31/12/2023	**1,806.4**

Closed-end securities investment fund Assietta Private Equity IV

This is a Private Equity fund reserved for institutional investors, which aims at investing with majority stakes in small and medium Italian enterprises characterised by a good positioning in the reference sector, operating in well-established sectors, with steady cash generation, a defensible competitive positioning and good economic performance.
The fund is managed by Assietta Private Equity SGR. In 2023, the Bank paid the call relating to the 40 shares subscribed of €223 thousand, whose unit value more recently enhanced by the asset management company, amounted to €31,093.73, generating a negative change in fair value of €28 thousand.

Balance as at 31/12/2022	**1,049.6**
Purchases	+222.6
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-28.4
Balance as at 31/12/2023	**1,243.7**

Closed-end securities investment fund HAT Technology & Innovation

Italian closed-end alternative investment fund reserved for professional investors who invest in minority equity shareholdings or, in co-investment with other specialised funds, in debt instruments, in leading companies in the reference market, characterised by a significant technological content or a high level of process, product or service innovation, favouring an industrial approach with the aim of strengthening the competitiveness of the Italian industrial system. It is promoted and managed by HAT SGR, activated by subjects of considerable and proven experience. The bank joined the fund in question in 2017 with the subscription of 100 units, increased during 2022 by a further 50 units – against which, during the year 2023, further calls for €57 thousand were paid, whose unit value was most recently enhanced by the asset management company, amounted to €6,852.20, generating a positive change in fair value of €79 thousand.

Balance as at 31/12/2022	**892.7**
Purchases	+56.6
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+78.6
Balance as at 31/12/2023	**1,027.8**

Closed-end securities investment fund Equita Private Debt II

It is an Italian closed-end alternative investment fund reserved for professional investors that invests in *unitary* instruments (hybrid product between senior loan and subordinated loan), subordinated loans or even in bonds. To a lesser extent, minority share capital interventions can also be made.
Aimed at medium-sized companies, with stabilised or growing production values, with a good capacity to generate cash flow and a well-defined market position, based mainly in Italy.
It is managed by EQUITA Capital SGR, one of the main independent managers in Italy. In 2023, the Bank paid the call relating to €1m of shares subscribed for €105 thousand; the most recent share value, determined by the asset management company, amounted to €0.78, generating a positive change in fair value of €54 thousand.

Balance as at 31/12/2022	**625.9**
Purchases	+105.0
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	+53.7
Balance as at 31/12/2023	**784.6**

Closed-end securities investment fund PMI Italia II

It is an Italian closed-end alternative investment fund reserved for professional investors that invests in bonds and other secured or unsecured debt instruments and/or debt securities, including those of an equity nature. Investments are dedicated to the sectors of mechanical engineering, manufacturing, infrastructure and transport, food & beverage, travel & leisure, services, pharmaceutical and biomedical industry, automotive excluding start-ups. The aim is to support investments or support working capital in the context of business volume development and debt sustainability, therefore aimed at companies with significant actual and/or expected growth rates and very limited financial exposure. It is managed by FININT SGR, one of the main independent managers in Italy.
During 2023, the equalisation repayments made by the fund exceeded the payments made by the Bank (-€117 thousand net repayment). The most recent share unit value – determined by the asset management company – was €0.67, generating a positive change in fair value of €32 thousand.

Balance as at 31/12/2022	**751.5**
Purchases	-
Sales/Redemptions	-116.9
Gains/Losses on disposal	-
Fair value changes	+32.2
Balance as at 31/12/2023	**666.9**

Closed-end securities investment fund Assietta Private Equity III

This is a Private Equity fund reserved for institutional investors, which aims at investing with majority stakes in small and medium Italian enterprises characterised by a good positioning in the reference sector, operating in well-established sectors, with steady cash generation, a defensible competitive positioning and good economic performance. The fund is managed by Assietta Private Equity SGR. The Bank subscribed 60 units, the most recent share unit value – determined by the asset management company – was €8,716.02, generating a negative change in fair value of €280 thousand.

Balance as at 31/12/2022	**803.3**
Purchases	-
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-280.4
Balance as at 31/12/2023	**523.0**

Nextalia PE Fund

Italian closed-end alternative investment fund reserved for professional investors investing in equity shares of Italian SMEs, including listed companies, leaders in the reference sector, family-run and requiring generational change, operating in fragmented sectors with buy & build opportunities.
Promoted by Nextalia SGR, a management company founded in 2021, it announced it had completed the final closing, reaching the maximum expected funding of €800m already in June 2022.
The Bank joined the fund by subscribing 1,000,000 units equal to €1m, - against which calls for €281 thousand were paid in 2023, whose most recent unit value – determined by the asset management company – is equal to €0.48, generating a negative change in fair value of €23 thousand.

Balance as at 31/12/2022	**221.7**
Purchases	+281.4
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-22.6
Balance as at 31/12/2023	**480.5**

Fondo Sviluppo PMI 2

Italian closed-end alternative investment fund reserved for professional investors, which invests in small/medium-sized companies in the Triveneto area - with the specific exclusion of the real estate, financial/insurance and unethical sectors - characterised by growth prospects in terms of markets, products, technologies, by a potential market positioning and which may benefit from governance improvement actions, operational optimisations, and improvement in funding sources.
It is managed by FVS SGR S.p.A., an emanation of the sole shareholder Veneto Sviluppo S.p.A., a financial company of the Veneto Region and well-established in the territory, with a consolidated and active network for the development of the economic excellence of the territory also through private equity initiatives.
In 2023 the Bank paid the call relating to the 200 units subscribed, for €36 thousand; the most recent unit value, determined by the asset management company, amounted to €2,272.34, generating a negative change in fair value of €3 thousand.

Balance as at 31/12/2022	**421.6**
Purchases	+36.2
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-3.3
Balance as at 31/12/2023	**454.5**

Nextalia Crediti Opportunities Fund

Italian closed-end alternative investment fund reserved for professional investors that invests in single-name distressed private debt, i.e. focusing on the analysis of the target companies' fundamentals through the selection of those with the greatest potential in terms of Company assets and debt service and/or turnaround capacity.
Promoted by Nextalia SGR, a management company founded in 2021, which announced it had completed the final closing, reaching a collection of €330m in November 2023 after only 8 months from the launch.
In 2023, the Bank paid the call relating to the one million units subscribed for €172 thousand; the value of the units is aligned with the purchase cost.

Balance as at 31/12/2022	**-**
Purchases	+172.1
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**172.1**

Ver Capital Sinloc Transition Energy

Italian closed-end alternative investment fund reserved for professional investors that invests in projects related to energy efficiency, renewable energy, public networks and sustainable mobility. Established in 2020, the Fund was promoted by Ver Capital SGR, a leading company active since 2006, and is assisted by Advisor Sinloc, an investment and consulting associated company owned by 10 banking institutions, with a capital of €44m. Sinloc is active throughout the country, with over 800 consulting projects carried out in Italy and in Europe for the development of local infrastructures, which have made it possible to mobilise investments of over €1 billion.
In 2023 the Bank paid the call relating to the 1,000 units subscribed, for €188 thousand; the most recent unit value, determined by the asset management company, amounted to €169.70, generating a negative change in fair value of €18 thousand.

Balance as at 31/12/2022	**-**
Purchases	+187.9
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-18.2
Balance as at 31/12/2023	**169.7**

Sustainable Securities Fund

This is an Italian closed-end alternative investment fund reserved for professional investors, managed by ACP SGR (Alternative Capital Partner): it is the first Italian thematic reserved private-debt fund dedicated to "green" energy infrastructures, whose projects will be carried out mainly by SMEs, with investments and assets located in Italy, as part of the energy transition in four main investment areas: energy efficiency, distributed generation and sustainable mobility, circular economy and large renewables.
In 2023, the Bank paid the call relating to the one million shares subscribed of €115 thousand, whose most recent unit value – determined by the asset management company – amounted to €0.16, generating a negative change in fair value of €15 thousand.

Balance as at 31/12/2022	62.5
Purchases	+115.3
Sales/Redemptions	-
Gains/Losses on disposal	
Fair value changes	-14.7
Balance as at 31/12/2023	**163.0**

Made in Italy Fund II Sicav

It is a Private Equity fund reserved for professional investors that aims, following up from the Made in Italy Fund I, to continue to invest in companies in typical Italian lifestyle sectors (fashion, beauty, design, food and wine) that represent opportunities of great international growth potential with innovative and productive capabilities. The fund has been promoted by Quadrivio Group for over 20 years and is one of the main international operators in the alternative investments sectors in various industries.
In 2023, the Bank paid the call relating to the 1,000 units subscribed for €38 thousand; the value of the units is aligned with the purchase cost.

Balance as at 31/12/2022	**-**
Purchases	+38.5
Sales/Redemptions	-
Gains/Losses on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**38.5**

	Real estate investment fund Leopardi - Milan	Value Italy Credit 3 fund	Closed-end real estate investment fund Clesio
Balance as at 31/12/2022	**-**	**482.7**	**-**
Purchases	-	-	-
Sales/Redemptions	-	-	-
Gains/Losses on disposal	-	-	-
Fair value changes	-	-79.4	-
Balance as at 31/12/2023	**-**	**403.2**	**-**

Notes on other investments in equity securities under the OCI Option

Enercoop S.r.l. – Trento (TN)

This company is a subsidiary of Fincoop S.p.A. (co-operative financial corporation in Trentino) and was set up in 2009 to purchase and manage a minority shareholding in Dolomiti Energia Holding S.p.A. Dolomiti Energia is currently one of the most important Italian multi-utility companies in relation to its size characterised by a stable business. Enercoop holds a 1.8% stake in Dolomiti Energia Holding S.p.A. for around €11m. Mediocredito purchased a 15% stake of Enercoop S.r.l. for €1.6m. In 2022, the investment was increased by a total value of €40 thousand. The valuation as at 31 December 2023 does not express fair value changes.

Balance as at 31/12/2022	**2,614.6**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**2,614.6**
Stake held	**15.000%**

GPI S.p.A. - Trento

The GPI group, which is headed by the Trentino entrepreneur Fausto Manzana, is one of the leading operators in the management of IT systems for healthcare, ranging from administrative software to maintenance up to the management of single booking centres. It is constantly growing and, in order to nourish the plan for future expansion, it entered the Italian Stock Exchange (MTA) through a SPAC (Special Purpose Acquisition Company) vehicle, in which the Bank participated with an investment of €1m, paid during 2016. In 2017, warrants were converted for a capital amount of €285 thousand. For the Bank, joining GPI represents, in addition to supporting an important local reality, an investment opportunity with good profitability prospects in the medium term. In 2022, a share capital increase was subscribed for €1m. In 2023, there was a negative change in fair value of €869 thousand.

Balance as at 31/12/2022	**2,905.2**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-868.8
Balance as at 31/12/2023	**2,036.4**
Stake held	**0.450%**

T5 S.r.l. - Milan

The equity investment in T5 S.r.l., carried out in 2021 in partnership with the Industry 4.0 Fund (of which the Bank is also a unit holder) with a 4.17% share, was established for the acquisition, first of all, of the majority stake in Texbond S.p.A. - a Rovereto company leader in the production of the "non-woven fabric" for different markets in the hygiene/sanitary sector - and, subsequently in December 2021, with synergistic objectives, of the majority interest in Soft NW S.p.A. - a company from Biella operating in the same product sector but in different application areas which, to a greater extent, concern construction and agriculture.
The Bank participated in the transaction by investing a total of €1.6m, which also represents the fair value as at 31 December 2023.

Balance as at 31/12/2022	**1,608.8**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**1,608.8**
Stake held	**6.875%**

Gibus S.p.A. – Saccolongo (PD)

Gibus - a leading company at national and European level - operates in the high-end Outdoor Design sector, designing, manufacturing and distributing 100% made in Italy products for Ho.Re.Ca and Residential customers, exporting Italian Lifestyle throughout the world. The partnership agreement signed with IR Top Consulting, Partner Equity Markets of the Italian Stock Exchange for the development of companies in the area in which the Bank operates, in particular through access to risk capital, led to a favourable assessment of the entry into the Gibus SpA's capital in 2019, through participation in the Initial Public Offering (IPO) which allowed the company to be listed on the AIM segment of the Italian Stock Exchange.
In 2023, there was a negative change in fair value of €238 thousand.

Balance as at 31/12/2022	**1,295.3**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-237.5
Balance as at 31/12/2023	**1,057.8**
Stake held	**1.264%**

Dovevivo S.p.A. – Milan (MI)

DoveVivo is a prop-tech company that manages, through a proprietary platform, a wide range of housing solutions (co-living rooms, private studios, student campuses, apartments and villas for short, medium and long-term stays).
It is a leading European operator in the rental market, with more than 150 thousand customers served in 2022 and over 13 thousand housing units under management in 40 destinations in six countries in Europe (Italy, Spain, France, England, Scotland and Portugal).
Since its foundation in 2007, it has completed numerous investments, raising resources of over €100m from leading national and international investors. The significant growth was also achieved through acquisitions, which promoted geographical expansion and coverage of all segments of the residential rental market.
The entry into the share capital by the Bank, for €1m, took place in November 2023, so the equity investment value is in line with the purchase price.

Balance as at 31/12/2022	**-**
Purchases	+1,006.5
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**1,006.5**
Stake held	**0.452%**

ISA Wines S.p.A. – Trento (TN)

ISA Wines Srl is a company, newly established by ISA Spa to take over - in club deal - an equity investment in F&F Fine Wines International Inc - Miami USA (better represented by the *Ethicawines* brand), founded in 2014.
Ethicawines imports wine from about 50 Italian producers in the USA, with an expected turnover for 2023 of approximately USD 96m and an EBITDA of approximately USD 7.8m (8.12%). The purpose of the acquisition is the rationalisation of the corporate structure to allow further development of commercial operations with the entry of new brands and new markets.
The entry into the share capital by the Bank, for €1m, took place in December 2023, so the equity investment value is in line with the purchase price.

Balance as at 31/12/2022	**-**
Purchases	1,000.0
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**1,000.0**
Stake held	**9.448%**

Fine Foods & Pharmaceuticals NTM SpA – Zingonia (BG)

The equity investment in the company followed the listing and business combination process of the SPAC Innova Italy 1 in the AIM sector of the Italian Stock Exchange, activated during 2018. The company produces and develops on behalf of third parties generic drugs, supplements and medical devices in the form of granules, powders and pills and operates in an innovative way in the substitute meals sector. In the medium term, the bank is expected to achieve good profitability, considering its business sector, its management capacity and the presence of warrants accompanying the shares purchased. The year-end listing shows a positive change in fair value of €34 thousand.

Balance as at 31/12/2022	**906.2**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	+33.7
Balance as at 31/12/2023	**939.9**
Stake held	**0.391%**

Iniziative Bresciane S.p.A.

The company operates in the renewable energy sector, mainly hydroelectric, with plant located in Lombardy and is listed on the Milan Stock Exchange – AIM segment. The shareholders include Istituto Atesino di Sviluppo Spa and in 2017 the bank subscribed to a stake of approximately €1m. The company is characterised by excellent profitability margins and constant growth, also considering the recent projects in the start-up phase: in the medium term, the bank's profitability is expected to be good, given its business sector and management capacity. The year-end listing resulted in a negative change in fair value of €185 thousand to be recorded.

Balance as at 31/12/2022	**1,122.6**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-185.3
Balance as at 31/12/2023	**937.4**
Stake held	**1.082%**

Hotel Lido Palace S.p.A. – Riva del Garda (TN)

The company was established to build a luxury hotel on the well-known tourist destination overlooking Lake Garda encouraging the involvement - alongside the public entity - of private shareholders with proven experience in this sector and adequate financial partners. Mediocredito supported this initiative acting as managing bank in the context of a financial operation and purchased a 4.84% equity investment. Past years were weighed down by the pandemic with the consequent loss of presences and turnover, but it recorded a good recovery in revenues in subsequent years. The fair value as at 31 December 2023 does not, however, express any changes with respect to the previous value, also with reference to the enhancement of the ownership structure.

Balance as at 31/12/2022	**674.0**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**674.0**
Stake held	**4.840%**

Aquafil S.p.A. – Arco (TN)

The investment in Aquafil Spa derives from the listing and Business Combination process of the SPAC Space 3 vehicle in the STAR segment of the Italian Stock Exchange, activated by Space Holding Srl during 2017. The company is one of the main international players in the production and marketing of synthetic fibres used in the textile flooring sectors for the contract and residential markets, as well as the automotive, fashion and sports markets. It is also a pioneer in the regeneration of nylon waste with the Econyl system and the prospects for development and growth are based above all on this type of green product. In the medium term, the bank is expected to achieve good profitability, considering its business sector, its management capacity and the presence of warrants accompanying the shares purchased. The year-end listing resulted in a negative change in fair value of €306 thousand to be recorded.

Balance as at 31/12/2022	**726.6**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-306.0
Balance as at 31/12/2022	**420.6**
Stake held	**0.237%**

Acustica Trentina Srl (formerly AT Holding Srl) - Trento

Acustica Trentina Srl is a long-established local company operating in medical hearing aids field.

In 2022, Mediocredito participated with a 10% stake in the LBO transaction promoted by leading local institutional investors, which took over the entire share capital of Acustica Trentina Srl through the vehicle AT Holding Srl, in which the founding shareholders hold minority interests.

In 2023, the reverse merger of AT Holding Srl into Acustica Trentina Srl was finalised. The purposes of the acquisition concern generational handover aspects and opportunities for future developments and expansions.

The Bank participated in the transaction by investing €165 thousand, to which additional amounts may be added related to the occurrence of the conditions established for the determination of the earn-out.

Balance as at 31/12/2022	**165.0**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**165.0**
Stake held	**10.000%**

Jonix S.p.A. – Tribano (PD)

It is an innovative SME and Benefit Company that designs, manufactures and distributes a broad portfolio of 100% Made in Italy products and services for indoor air sanitisation based on NTP (Non-Thermal Plasma) technology capable of attacking and neutralising living microorganisms (viruses, bacteria, spores and moulds) and polluting chemical molecules (VOC: volatile organic compounds, particulate matter). The company is included in the AIM segment of the Italian Stock Exchange (now Euronext Growth Milan) and enjoys good economic and financial fundamentals with excellent prospects for development and value creation. In 2021, the bank participated in the Initial Public Offer (IPO) by purchasing shares for €199 thousand, whose value at the end of 2023 led to the recognition of a negative change in fair value of €16 thousand.

Balance as at 31/12/2022	**43.6**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-16.0
Balance as at 31/12/2023	**27.6**
Stake held	**0.761%**

Casasold S.p.A. - Verona

The company - listed on Euronext Growth Milan (formerly AIM) and founded in 2018 in Verona, but with operational headquarters in Trento - operates in the real estate services sector through a proprietary software platform and optimises the restructuring and sale process of apartments, medium and large offices and condominiums. As part of the listing of Casasold S.p.A., which took place in March 2021, the Bank subscribed shares for a total of €51 thousand.

The equity investment was sold in the first half of 2023 with a loss, held in a suspended reserve, of €37.5 thousand.

Balance as at 31/12/2022	**12.6**
Purchases	-
Sales/Redemptions	-13.2
Gains/Losses to reserve on disposal	-37.5
Fair value changes	+38.0
Balance as at 31/12/2023	**-**
Stake held	

Notes on investments in institutional equity securities under the OCI Option

La Finanziaria Trentina S.p.A. – Trento (TN)

It is an industrial holding established in 2004 by a group of entrepreneurs from Trentino bringing together subjects operating in various sectors in order to converge major investments in a single independent entity. In addition to the main corporate mission, private equity operations have been added to support entrepreneurs who have started processes of growth or generational change. The company's operations are carried out mainly in the energy, industry, infrastructure, real estate and venture capital sectors. The Bank's entry into the ownership structure, made up of leading entrepreneurs and economic

Balance as at 31/12/2022	**1,113.8**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**1,113.8**
Stake held	**1.190%**

representatives of the provincial territory, took place in 2016 and, in the course of 2021, a stake of additional 119,119 shares was acquired at a price of €203 thousand. At the end of 2023, there were no changes in fair value.

Istituto Atesino di Sviluppo S.p.A. – Trento (TN)

It is a finance company set up in 1929, which is owned by clerical bodies, operating mainly within the Province of Trento: it invests, mainly by acquiring minority shareholdings, in companies with interesting development potential, with the aim of creating a medium/long-term relationship with the entrepreneur and achieving satisfactory results for the shareholders. The Bank's entry into the company, managed by leading economic representatives of the provincial territory, took place in 2016 with the purchase of a minority stake of 0.5% for a value of approximately €1m. The current fair value is unchanged from the previous year.

Balance as at 31/12/2022	**979.7**
Purchases	-
Sales/Redemptions	-
Gains/Losses to reserve on disposal	-
Fair value changes	-
Balance as at 31/12/2023	**979.7**
Stake held	**0.503%**

	Oneosix S.p.A. – Verona	Trento Funivie S.p.A. – Trento	Cassa Centrale Banca S.p.a. – Trento	FT Phaos Srl – Trento
Balance as at 31/12/2022	**332.5**	**-**	**50.2**	**-**
Purchases	-	+125.1	-	+31.7
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	-	-	-	-
Balance as at 31/12/2023	**332.5**	**125.1**	**50.2**	**31.7**
Stake held	**9.500%**	**3.122%**	**0.004%**	**5.000%**

	Funivie Madonna di Campiglio S.p.A. – Pinzolo (TN)	Funivie Folgarida Marilleva S.p.A. – Pinzolo (TN)	Federazione Trentina delle Cooperative Scarl - Trento	Allitude S.p.A.
Balance as at 31/12/2022	**25.4**	**23.3**	**5.1**	**1.6**
Purchases	-	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	-	-	-	-
Balance as at 31/12/2023	**25.4**	**23.3**	**5.1**	**1.6**
Stake held	**0.033%**	**0.027%**	**0.755%**	**0.000%**

	Trentino Volley S.r.l. Trento	Lineapiù S.p.A. Prato
Balance as at 31/12/2022	**-**	**-**
Purchases	-	-
Sales/Redemptions	-	-
Gains/Losses to reserve on disposal	-	-
Fair value changes	-	-
Balance as at 31/12/2023	**-**	**-**
Stake held	**13.331%**	**1.668%**

The equity investments in Funivie Madonna di Campiglio S.p.A., Funivie Folgarida Marilleva S.p.A., Lineapiù S.p.A. and Real estate investment fund Leopardi derive from the restructuring of impaired loans.

Summary of investments in treasury equity securities under the OCI Option

	Bank of Italy	Intesa San Paolo	Generali	Mediobanca
Balance as at 31/12/2022	**20,000.0**	**5,924.8**	**5,852.8**	**2,073.5**
Purchases	-	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	-	+1,591.5	+860.1	+504.2
Balance as at 31/12/2023	**20,000.0**	**7,516.3**	**6,712.9**	**2,577.7**

	ENI	A2A	Enel	Poste Italiane
Balance as at 31/12/2022	**1,927.9**	**1,038.9**	**884.3**	**677.7**
Purchases	-	-	-	-
Sales/Redemptions	-	-	-	-
Gains/Losses to reserve on disposal	-	-	-	-
Fair value changes	+289.3	+499.4	+294.7	+83.2
Balance as at 31/12/2023	**2,217.2**	**1,538.3**	**1,179.0**	**+760.9**

SECURITIES PORTFOLIO

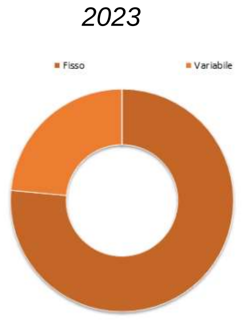
The portfolio of debt securities is made up as follows:

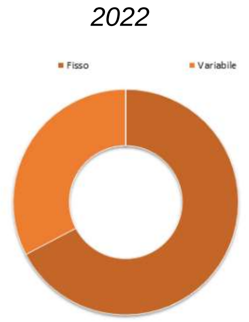
Amounts of portfolio of debt securities (thousands of Euro)

Issuer	2023			2022		
	Nominal Value	Amortised cost	Fair Value	Nominal Value	Amortised cost	Fair Value
***Hold to Collect* Business model**	**321,000**	**328,222**	**310,944**	**369,000**	**379,240**	**345,435**
Governments	303,000	309,812	292,603	346,000	355,859	322,595
Banks	18,000	18,409	18,342	23,000	23,380	22,840
***Hold to Collect & Sell* Business model**	**188,500**	**190,655**	**187,801**	**105,500**	**109,155**	**101,479**
Governments	188,500	190,655	187,801	105,500	109,155	101,479
Banks	-	-	-	-	-	-
Total	**509,500**	**518,877**	**498,745**	**474,500**	**488,395**	**446,914**

The bonds issued by banks have a residual average life of approximately 1 year while government securities (Italian State bonds) have a residual average life of 3.0 years. A portion of 76% of the portfolio is represented by fixed rate securities and 24% by floating rate securities.

Allocation of securities portfolio by interest rate type





Amounts of portfolio of mandatory FVTPL securities (thousands of Euro)

Issuer	2023		2022	
	Nominal Value	Fair Value	Nominal Value	Fair Value
***FVTPL Mandatory* Business model**	**1,542**	**1,362**	**1,542**	**1,287**
Insurance policies	1,500	1,349	1,500	1,273
SPV	42	13	42	13
Total	**1,542**	**1,362**	**1,542**	**1,287**

The bonds shown in the table are mandatorily classified in the FVTPL portfolio as they have not passed the SPPI test required by IFRS9 for classification in the HTC and HTCS business models; it is a security issued by an insurance company purchased as part of the treasury activity and two tranches (mezzanine and junior) issued by an SPV as part of an NPL sale transaction in which the Bank participated as transferor at the end of 2021.

HEDGING TRANSACTIONS AND DERIVATIVES

Cap options

The Bank offers its customers cap options to hedge loans sold to them. Concurrently with the sale of individual contracts, the Bank has been purchasing symmetrical cap options to cover the risks of the operations.
During the year, 14 new contracts were entered into (seven sold to customers and seven symmetrical ones purchased by banks).

The table below compares overall nominal amounts as at 31 December 2023 with 2022.

Financial derivatives – cap options (in thousands of Euro)

	NEW CONTRACTS		OVERALL NOMINAL AMOUNTS	
	2023	2022	Dec 23	Dec 22
- sales (customers)	22,128	-	43,017	27,832
- purchases (banks)	22,128	-	43,017	27,832
TOTAL	**44,256**	**-**	**86,035**	**55,664**

BORROWING OPERATIONS AND TREASURY MANAGEMENT

Funding flows in 2023 are mainly represented by deposits from corporate and retail customers for €396m, of which €270m relating to retail customers (Conto Rifugio and Raisin). During the year, bonds were also issued for €21m (subscribed by the Raiffeisen system, €1m of which under the EMTN programme) and new loans were taken out with Cassa Depositi e Prestiti for €39m, in addition to a deposit of €20m, restricted for 18 months by Cassa Centrale Raiffeisen.

Flows of funds (thousands of Euro)

TYPE	FLOWS				
	2023	%	2022	%	% Chg.
BONDS	**21,000**	**4.4**	**30,000**	**9.3**	**-30.0**
FUNDS FROM BANKS	**20,000**	**4.2**	**5,000**	**1.6**	**+300.0**
- EIB funds	-	0.0	-	0.0	
- ECB funds	-	0.0	-	0.0	
- other medium/long-term deposits and loans	20,000	4.2	-	0.0	
- current accounts and short-term deposits	-	0.0	5,000	1.6	-100.0
FUNDS FROM CUSTOMERS	**435,611**	**91.4**	**286,874**	**89.1**	**+51.8**
- CDP funds	38,890	8.2	-	0.0	
- funds from third parties	315	0.1	-	0.0	
- retail deposits [1]	269,896	56.6	129,612	40.3	+108.2
- corporate deposits	126,510	26.5	157,259	48.9	-19.6
TOTAL	**476,611**	**100.0**	**321,871**	**100.0**	**+48.1**

1 The amount includes €189.3m relating to the Conto Rifugio online account (€89.3m in 2022) and €80.6m from the Raisin platform (€40.3m in 2022).

In terms of amounts, there was a significant decline in bond funding (-46.7%), linked to the repayment to the Raiffeisen loan system for a total of €140m, as well as interbank funding (-25.3%), due to the effect of the early repayment of the first two tranches of TLTRO3 for a total of €175m. On the other hand, the direct funding from customers component increase by 54.5%. Total funding amounts to €1,473m (+2.3%).

Overall amounts of borrowing operations (in thousands of Euro)

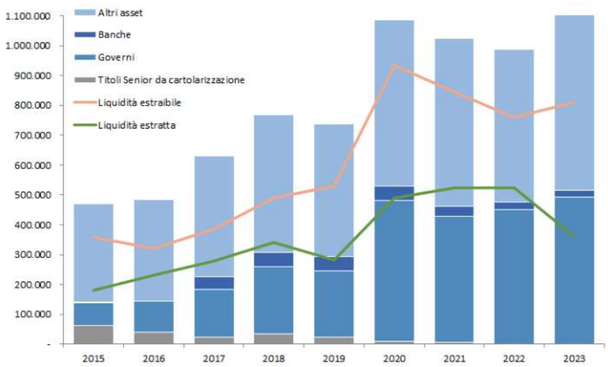
TYPE	OVERALL AMOUNTS				
	Dec 23	%	Dec 22	%	% Chg.
BONDS	**137,144**	**9.3**	**257,090**	**17.9**	**-46.7**
FUNDS FROM BANKS	**460,846**	**31.3**	**616,653**	**42.8**	**-25.3**
- EIB funds	60,205	4.1	68,166	4.7	-11.6
- ECB funds	355,204	24.1	519,015	36.0	-31.6
- other medium/long-term deposits and loans	22,251	1.5	-	-	
- current accounts and short-term deposits	23,187	1.6	29,472	29.5	-21.3
FUNDS FROM CUSTOMERS	**874,988**	**59.4**	**566,373**	**39.3**	**+54.5**
- CDP funds	48,549	3.3	23,737	1.6	+104.5
- funds from third parties	16,065	1.1	18,717	1.3	-14.2
- corporate/retail demand deposits and c/a[1]	339,584	23.1	171,664	11.9	+97.8
- corporate/retail time deposits	470,790	32.0	352,255	24.5	+33.7
TOTAL	**1,472,978**	**100.0**	**1,440,116**	**100.0**	**+2.3**

1 The amount includes €250.6m relating to the Conto Rifugio online account (€131.0m in 2022) and €88.9m from the Raisin platform (€40.7m in 2022).

With regard to reserves of readily available assets, in the portfolio for an amount of approximately €1.110 billion (+€122m compared to 31 December 2022), the residual liquid assets available from the ECB and other counterparties as at 31 December 2023 amounted to approximately €450m, of which €347m from collateralised banking assets, with an increase of €212m compared to 2022.

Breakdown of eligible securities (thousands of Euro)

Issuer	Eligible	Potential liquidity
Governments	491,500	446,288
Banks	18,000	15,789
Total bonds	**509,500**	**462,077**
Other collateralised assets	599,931	347,366
Total bonds and other assets	**1,109,431**	**809,443**
Liquidity already drawn		359,727
Residual available liquidity		**449,716**



PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets are functional investments that amount to approximately €7.5m, mainly buildings where the Trento headquarters and the Treviso, Bologna, Brescia and Padua branches are located.
During the year, no significant investments were made in capital goods and all categories of assets were reduced by the depreciation process.

	Dec 2023	%	Dec 2022	%	% Chg.
Functional assets	**7,501**	**98.5**	**7,899**	**98.6**	**-5.0**
- Land and buildings	7,046	92.5	7,300	91.1	-3.5
- Furnishing	237	3.1	253	3.2	-6.3
- IT equipment	73	1.0	93	1.2	-22.3
- Other equipment	122	1.6	205	2.6	-40.2
- Vehicles	-	-	-	-	
- Software	23	0.3	48	0.6	-52.1
Investment land	**116**	**1.5**	**116**	**1.4**	**-**
Total	**7,617**	**100.0**	**8,015**	**100.0**	**-5.0**

Pursuant to IFRS 16 - Leases, the Bank recognises under property, plant and equipment, the value of the right of use relating to lease contracts that fall within the scope of application of the standard.
The Bank identified as such long-term car rental contracts and real estate leases relating to the Bolzano branch office; the following table summarises the effects of the above.

	Dec 2023	%	Dec 2022	%	% Chg.
Rights of use	**277**	**100.0**	**95**	**100.0**	**+191.1**
- Buildings	232	83.8	36	37.3	+553.8
- Vehicles	45	16.2	60	62.7	-24.8
Total property, plant and equipment and intangible assets	**7,894**	**100.0**	**8,110**	**100.0**	**-2.7**

During 2023, the Bank continued to implement some technical and organisational measures in connection with workplace safety regulations with the purpose of minimising the risk of accidents and mitigating environmental risks.

In 2023, the Bank resolved on the adequacy of its operational continuity plan as well as on testing the effectiveness of the Disaster Recovery Plan with the outsourcer of the IT System managed by Allitude S.p.A. The result of the test was positive, which means that should the need arise, it would be possible to maintain a sufficient level of business continuity for the Bank, characterised by low average levels of operational risk.

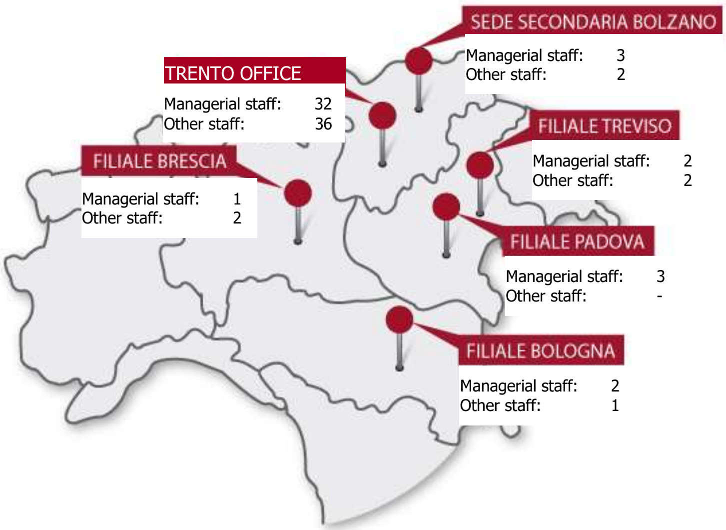
OPERATIONAL STRUCTURE

As at 31 December 2023, no changes in personnel were recorded compared to 31 December 2022. There were 86 employees: 73 full-time contracts and 13 part-time contracts.

Position and movement of employees[8]

	31/12/2022 situation	Resignations	Recruitments	Change of positions	31/12/2023 situation
Managerial staff (Executives)	5	-	-	-	5
Managerial staff	37	-	+1	-	38
Other staff	44	-3	+2	-	43
Total	**86**	**-3**	**+3**	**-**	**86**

Breakdown by area



Breakdown by age

	Men	Women	Total
≤ 30 years	2	4	6
> 30 years ≤ 45 years	16	7	23
> 45 years ≤ 55 years	13	12	25
> 55 years	21	11	32
Total	**52**	**34**	**86**

Breakdown by length of service

	Men	Women	Total
≤ 5 years	13	8	21
> 5 years ≤ 10 years	2	1	3
> 10 years ≤ 20 years	8	7	15
> 20 years	29	18	47
Total	**52**	**34**	**86**

A total of 915 hours was dedicated to staff training; the following table shows a breakdown of "classroom days":

Area / Services	Planned training		Required training	
	Days	No. of attendees	Days	No. of attendees
Control functions	0.4	2	9.2	6
Management and Staff	35.8	18	15.5	10
Market Area	28.4	18	3.7	4
Credit area	3.9	5	-	-
Legal area	1.6	3	2.3	3
Admin. and Finance Area	17.1	9	0.4	1
Total	**87.2**	**55**	**31.1**	**24**

The Administrative Board carried out their activities through 11 meetings of the Board of Directors, 9 meetings of the Executive Committee meetings, 13 meetings of the Board of Statutory Auditors and one Ordinary Shareholders' Meeting.

8 The item "Other staff" includes employees belonging to professional areas.

PRINCIPAL TRENDS IN THE FINANCIAL STATEMENTS AND STATE OF AFFAIRS

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (ABRIDGED)

(in thousands of Euro)

Assets	31/12/2023	31/12/2022	Chg.	% Chg.
CASH AND CASH EQUIVALENTS	48,803	38,217	+10,586	+27.7
DERIVATIVES	2,058	2,062	-4	-0.2
EQUITY SECURITIES	74,230	69,537	+4,693	+6.7
DEBT SECURITIES	517,287	481,924	+35,364	+7.3
LOANS AND ADVANCES TO BANKS	5,543	3,796	+1,746	+46.0
LOANS AND ADVANCES TO CUSTOMERS	999,744	1,010,347	-10,603	-1.0
EQUITY INVESTMENTS	550	336	+214	+63.8
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	7,894	8,110	-216	-2.7
TAX ASSETS	10,915	14,209	-3,294	-23.2
OTHER ASSETS	32,239	23,618	+8,621	+36.5
TOTAL ASSETS	**1,699,262**	**1,652,156**	**+47,106**	**+2.9**

Equity and liabilities	31/12/2023	31/12/2022	Chg.	% Chg.
DUE TO BANKS	460,847	616,653	-155,806	-25.3
DUE TO CUSTOMERS	874,987	566,373	+308,615	+54.5
DEBT SECURITIES IN ISSUE	137,144	257,090	-116,946	-46.7
FINANCIAL LIABILITIES HELD FOR TRADING	2,019	2,032	-13	-0.6
TAX LIABILITIES	5,566	5,374	+191	+3.6
OTHER LIABILITIES	18,111	15,473	+2,638	+17.0
VALUATION RESERVES	9,959	4,266	+5,693	+133.4
CAPITAL AND RESERVES	184,560	178,852	+5,707	+3.2
NET INCOME FOR THE PERIOD	6,069	6,043	+27	+0.4
TOTAL EQUITY AND LIABILITIES	**1,699,262**	**1,652,156**	**+47,106**	**+2.9**

Each amount reported is rounded: any possible discrepancies are due to rounding.

RECLASSIFIED ABRIDGED INCOME STATEMENT[9]

(in thousands of Euro)

Items	2023	2022	Chg.	% Chg.
NET INTEREST INCOME	**20,391**	**20,283**	**+108**	**+0.5**
Net fee and commission income	1,697	1,738	-41	-2.4
Net income from trading of cap derivatives	132	7	+125	+1,929.7
Dividends	2,846	2,577	+269	+10.4
OPERATING MARGIN	**25,065**	**24,604**	**+461**	**+1.9**
Revenues from sale	(3,978)	(218)	-3,760	+1,720.9
Net fair value results	8	6	+3	+44.7
NET INTEREST AND OTHER BANKING INCOME	**21,095**	**24,391**	**-3,296**	**-13.5**
OPERATING COSTS	(12,901)	(12,428)	-472	+3.8
GROSS OPERATING INCOME	**8,195**	**11,963**	**-3,768**	**-31.5**
NET IMPAIRMENT ADJUSTMENTS	452	(3,449)	+3,902	-113.1
PROFIT (LOSS) BEFORE INCOME TAXES	**8,647**	**8,514**	**+134**	**+1.6**
INCOME TAXES	(2,578)	(2,471)	-107	+4.3
NET INCOME FOR THE PERIOD	**6,069**	**6,043**	**+27**	**+0.4**

Each amount reported is rounded: any possible discrepancies are due to rounding.

COMPOSITION OF INTERIM RESULTS WITH RESPECT TO NET INTEREST AND OTHER BANKING INCOME

(data in %)	2023	2022
Net interest income / Net interest and other banking income	96.7	83.2
Gross operating income / Net interest and other banking income	38.8	49.0
Profit (loss) before income taxes / Net interest and other banking income	41.0	34.9
Net income for the period / Net interest and other banking income	28.8	24.8

9 The half-yearly results of the reclassified income statement are presented here to highlight the gross operating income by separating the components related to the business from those arising from impairment processes. This result was obtained by reclassifying time reversal write-backs on loans from "interest income" to "net impairment adjustments" of €0.243m in 2022 and €0.480m in 2022, profits/losses from the sale of loans from net interest and other banking income to "net impairment adjustments" of €0.095m (profits) in 2022 and €0.676m (losses) in 2022, the net positive result of financial assets mandatorily measured at fair value of €0.305m (€0.178m positive in 2022) and the provisions for legal risks relating to disputes on loans from "operating costs" to "net impairment adjustments" of €41 thousand (write-backs) in 2022. Moreover, net gains on equity investments for €214 thousand were reclassified under net value adjustments in 2023 and the effects of applying IFRS 16 were neutralised by reclassifying under other administrative costs both interest expense on the payable to lessees (€2.7 thousand in 2023 and €1.0 thousand in 2022) and amortisation of rights of use (€68.9 thousand in 2023 and €64.4 thousand in 2022). Finally, the fee expense recognised to the Raisin platform for €180 thousand in 2023 and €37 thousand in 2022 was reclassified under interest expense.

INCOME STATEMENT DYNAMICS

Net interest income

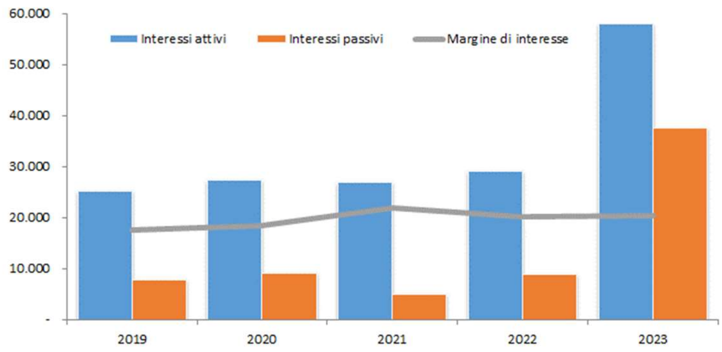
Breakdown of the net interest income (thousands of Euro)

Items	2023	2022	Chg.	% Chg.
INTEREST INCOME AND SIMILAR REVENUES	58,070	29,168	+28,902	+99.1
INTEREST EXPENSE AND SIMILAR CHARGES	(37,679)	(8,885)	-28,794	+324.1
NET INTEREST INCOME	**20,391**	**20,283**	**+108**	**+0.5**

The net interest income is essentially in line with that of 2022 (+0.5%): overall, the spread of money management (net interest income, net of interest on arrears and doubtful loans) moved to 1.01% from the 1.22% level recorded by the Bank in 2022; the development in net interest income is characterised by:

– an increase in the average return on interest-bearing assets of 180 bps (3.64% vs 1.84%) combined with an increase in average balances of 1.8% (loans -2.3%; treasury +9.4%) with a combined effect of higher interest income of €29m;
– an increase in the average cost of funding of 193 bps (2.63% vs 0.62%) with an increase in average balances of 0.8%; the combined effect produced higher interest expense of €28.8m;
– a reduction in the average return for the collection of default interest on arrears and doubtful loans (1.44% compared to 1.54% in 2022) combined with a further reduction in average balances (-23%) with a negative effect on margins of approximately €126 thousand.

Trend in net interest income (thousands of Euro)



Operating margin

Net commissions were in line with 2022 (-€41 thousand) as a result of substantial stability in fee and commission income and commission income (+€10 thousand, +0.4%) and an increase in fee and commission expense (+€51 thousand, +9%). In particular, with regard to fee and commission income, performance is linked to lower early settlement penalties for €53 thousand and lower commissions on endorsement loans issued/consultancy services for €146 thousand, offset by higher commissions on traditional lending for around €179 thousand. With reference to fee expense, on the other hand, higher charges were recorded, linked to the collection of loan applications.

Net revenue from services (thousands of Euro)

Items	2023	2022	Chg.	% Chg.
FEE AND COMMISSION INCOME	**2,345**	**2,335**	**+10**	**+0.4**
- survey and investigation	1,209	936	+273	+29.1
- corporate finance	636	790	-104	-14.1
- contractual	179	168	+11	+6.6
- administrative	138	109	+29	+26.3
- early termination	108	161	-53	-32.7
- others	76	171	-146	-65.8
FEE AND COMMISSION EXPENSE	**(648)**	**(597)**	**-51**	**+8.5**
- brokerage of applications for credit lines	(86)	(24)	-62	+257.8
- guarantees on lending / borrowing	(512)	(528)	+17	-3.1
- others	(50)	(45)	-5	+12.0
NET COMMISSIONS	**1,697**	**1,738**	**-41**	**-2.4**

In 2023, cap derivatives transactions entered into with customers to hedge interest rate risk - for which the bank simultaneously carried out counter-hedging on the interbank market - generated net income of €132 thousand against €7 thousand in 2022.

During the year, dividends of €2,846m were collected (€2,577m in 2022), of which €2,500m (€2,200m in 2022) came from the treasury share portfolio (Bank of Italy shares and shares of companies listed on the FTSE MIB market).
This income, together with the result from net commissions and revenue generated from derivatives trading, brought the operating margin to €25,065m (+€0.461m; +1.9%).

Dividends (thousands of Euro)

	2023	2022	Chg.	% Chg.
Institutionals and debt recovery	76	88	-12	-13.2
Other investments	270	289	-19	-6.6
Treasury	2,500	2,200	+300	+13.6
Total	**2,846**	**2,577**	**+269**	**+10.4**

Net interest and other banking income

The partial disinvestment of the debt securities portfolio generated capital losses of €3,978m (compared to capital losses of €0.218m in 2022). Taking into account the net balance of assets and liabilities measured at fair value (+€8 thousand), which includes the balance of changes in the fair value of cap options, the net interest and other banking income amounted to €21.095m, down by 13.5% (-€3.296m) compared to the previous year.

Operating costs

Administrative expenses of €12.217m, up by €591 thousand compared to the previous year (€11.626m), as a result of the increase in employee costs (+€341 thousand), linked to the renewal of the national contract, the remuneration of corporate bodies (+€73 thousand) and IT expenses (+€468 thousand), only partially offset by savings of €324 thousand on consultancy expenses, which in 2022 included the costs for the preparation of the new business plan and the renewal of the EMTN programme, and €113 thousand for contributions to the bank resolution fund and the deposits protection fund. The stamp tax on deposits not recovered from customers also had a negative impact for €133 thousand.

Operating costs (thousands of Euro)

Items	31/12/2023	31.12.2022	Chg.	% Chg.
ADMINISTRATIVE COSTS:	(12,217)	(11,626)	-591	+5.1
a) payroll:	(7,868)	(7,454)	-414	+5.6
- employees costs	*(7,289)*	(6,949)	*-341*	+4.9
- directors and auditors costs	*(579)*	(505)	*-73*	*+14.5*
b) other administrative costs[10]	(3,355)	(3,065)	-290	+9.5
c) contribution to the banking crisis resolution fund and interbank deposit protection fund (FITD)[11]	(994)	(1,108)	+113	-10.2
PROVISIONS FOR RISKS AND CHARGES	(359)	(389)	+30	-7.7
NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	(410)	(412)	+2	-0.5
OTHER OPERATING CHARGES/INCOME	86	(1)	+87	
OPERATING COSTS	**(12,900)**	**(12,428)**	**-472**	**+3.8**

Net provisions for risks and charges relate entirely to the provisions for employee incentive schemes bonuses,

10 Recoveries from customers for indirect expenses and taxes incurred by the Bank (+€697 thousand in 2023, +€651 thousand in 2022) were reclassified, as a direct adjustment of the same, from the item "Other operating charges/income" to the item "Administrative costs". The item "Gains (losses) on disposal of investments" (+€0.2 thousand in 2022) was reclassified to the item "Net adjustments to property, plant and equipment and intangible assets". Moreover, the effects of applying IFRS 16 were neutralised by reclassifying under other costs both interest expense on the payable to lessees (€2.7 thousand in 2023 and €1.0 thousand in 2021) and amortisation of rights of use (€68.9 thousand in 2023 and €64.4 thousand in 2022). Income from tax credits for sponsorships (€33 thousand in 2023 and €10 thousand in 2022) and income from electricity and gas tax credits (€5.8 thousand in 2023 and – €11.4 thousand in 2022) were also reclassified as a reduction in the related expenses.

11 The amount relating to the contribution to the banking crisis resolution fund and the interbank deposit protection fund was split off from the item "other administrative costs" for a better understanding of their trend.

while amortisation and depreciation for the period amount to a total of €410 thousand, in line with the figure for 2022. Operating costs rose by €472 thousand, bringing the cost to income ratio to 61.2%, compared to 51.0% in 2022.

Efficiency indices

Items	2023	2022	Chg.
Operating costs/Net interest and other banking income (%)	61.2	51.0	+10.2
Payroll/Net interest and other banking income (%)	37.3	30.6	+6.7
Average cost per employee (thousands of Euro)	87.6	85.8	+1.8
Net interest and other banking income/average number of employees (thousands of Euro)	253.6	301.3	-47.7
Positive total/average number of employees (thousands of Euro)	20,426.3	20,407.1	+19.2

Net of the operating costs shown above, the gross operating income stood at €8.195m, down by €3.768m (-31.5%) compared to the result in the previous year.

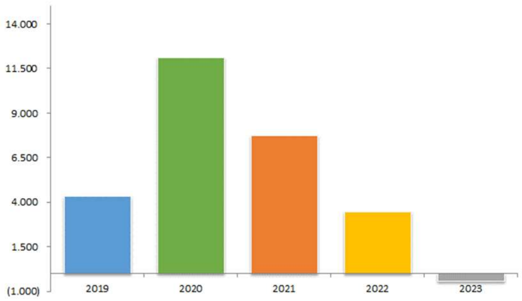
Value adjustments and net income from financial activities

The analytical valuation of impaired loans produced net value adjustments of €2.196m, as well as recoveries of €0.547m from collections on doubtful loans classified as loss-generating in previous periods.
On the other hand, the collective valuation process of the loans portfolio produced total net write-backs of €1.511m. The collective valuation of HTC securities - minibonds and government securities classified as loans and advances to customers and securities of banks classified as loans and advances to banks - generated net recoveries of €231 thousand, while the analytical valuation of an unlikely to pay minibond generated write-backs of €29 thousand. During the period, losses of €0.234m were recognised directly in the income statement, while the disposal of doubtful loans generated net gains of €95 thousand.
The collective valuation of HTCS securities -generated net write-backs of €23 thousand, while the valuation of the subsidiary Paradisidue resulted in write-backs of €214 thousand.
The collective valuation of the guarantees issued and the available margins generated adjustments of €26 thousand.
During the year there were no changes in the provisions for legal disputes on loans while net positive changes in fair value on UCITS units contributed for €229 thousand and net positive changes in fair value on debt securities of the FVTPL portfolio for €76 thousand.
Overall, the valuation of financial assets led to the recognition of net write-backs of €452 thousand compared to €3.449m of net adjustments in the previous year.
The measurement of the financial statement assets is summarised in the table below:

(thousands of Euro)

Items	31/12/2023	31/12/2022	Chg.	% Chg.
Value adjustments on HTC loans and advances (see part C tab.	(112)	(2,983)	+2,871	-96.2
Net gains/losses on the sale of HTC loans and advances (see	95	(676)	+771	-114.0
Provisions for legal disputes on loans and advances (see	-	41	-41	-100.0
Value adjustments on HTCS debt securities (see part C tab. 8.2)	(23)	(11)	-12	+110.6
Change in FV investments in UCITS (see part C tab. 7.2)	229	413	-184	-44.6
Change in FV debt securities FVTPL (see part C tab. 7.2)	76	(235)	+311	-132.3
Value adjustments on equity investments (see part C tab. 15.1)	214	-	+214	
Value adjustments on other fin. transactions (see part C tab. 11.1)	(26)	3	-29	
Write-down of receivables, securities and equity	**452**	**(3,449)**	**+3,902**	**-113.1**

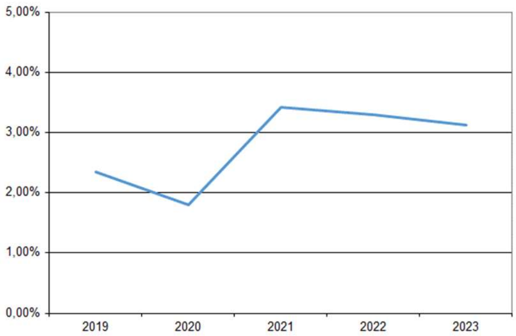
Trend in adjustments to loans and advances (thousands of Euro)



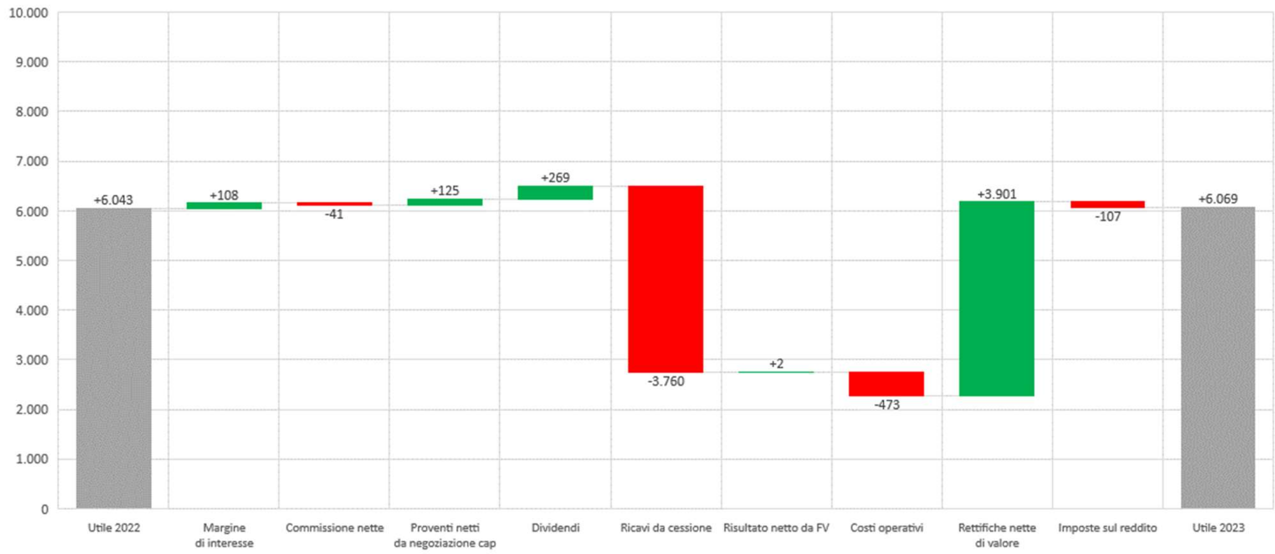
Profit (loss) for the year

The result from current operations before tax was positive for €8.647m, up relative to the 2022 results (+1.6%). Lastly, the net income for the period amounts to €6.069m (+0.4%), after the calculation of the tax burden of €2.578m, which expresses a tax rate of 29.8%.

Trend for ROE



Comparison of net profit 2022/2023



EQUITY AND THE STATE OF AFFAIRS OF THE COMPANY

Equity

Valuation reserves increased by €5.693m due to the adjustment of the value of financial assets measured at fair value through other comprehensive income and defined benefit plans (actuarial gains/losses). On the other hand, earnings reserves increased by €5.743m due to the allocation of the 2022 profit and decreased by €35 thousand as a result of the negative reserves relating to equity securities under the OCI option regime sold in 2023. As indicated in the table below, after taking into account the net income for the period, equity amounted to €200.588m, up by €11.427m.

(in thousands of Euro)

	Items	Dec 2023	Dec 2022	Chg.
110.	Valuation reserves	9,959	4,266	+5,693
140.	Reserves	96,234	90,526	+5,707
150.	Additional paid-in capital	29,841	29,841	-
160.	Share capital	58,485	58,485	-
180.	Profit for the period	6,069	6,043	+27
	Total equity	**200,588**	**189,161**	**+11,427**

Own funds and capital adequacy

Own funds as well as the capital adequacy ratios were calculated on the data taken from the financial statements prepared in application of the international accounting standards IAS/IFRS and the supervisory regulations.
It should be noted here that on 12 December 2017, the European Parliament and the Council issued Regulation (EU) 2017/2395 "Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds" that updates CRR Regulation 575/2013, introducing the new Article 473 bis "Introduction of IFRS 9", which offers banks the possibility of mitigating the impact on own funds deriving from the introduction of IFRS 9 in a transitional period of 5 years (from March 2018 to December 2022) by sterilising the impact in CET1 with the application of decreasing percentages over time. The Bank chose not to adopt this approach by calculating the entire effect due to the higher impairment, net of the tax component, in its own funds in 2018. Similarly, the Bank has not made use of the option to adopt the options provided for by the changes to the CRR introduced by the "quick fixes" regarding the IFRS 9 transitional regime envisaged by the new Article 473 bis of paragraph 9.

Common Equity Tier 1 capital – CET1

Common Equity Tier 1 capital consists of the share capital (€58.485m), additional paid-in capital (€29.841m), reserves (the aggregate of the legal reserve, the extraordinary reserve, the reserves of special revaluation laws, those formed at the time of application/review of IAS/IFRS and that originated during the year from the sale of equity securities under the OCI option) for an overall amount of €100.552m.[12]

It includes also the valuation reserves related to the equity securities under the OCI Option and the debt securities managed in the HTC&S business model amounting to €6.029m (positive) and reserves from actuarial gains/losses related to defined benefit plans (severance indemnities) amounting to €389 thousand (negative). It is adjusted by negative elements attributable to intangible assets of €23 thousand and by supplementary value adjustments to regulatory capital of €270 thousand.

2. Additional Tier 1 capital (Additional Tier 1 – AT1)

The capital structure of the Bank does not present elements included in the Additional Tier 1 capital.

3. Tier 2 capital (TIER 2 – T2)

The capital structure of the Bank does not present elements included in the Additional Tier 1 capital.

12 The calculation of CET1 does not include the profit for the year in that the requirements set forth in Article 26, paragraph 2 of Regulation (EU) 575/2013 as specified by Decision (EU) 2015/656 of 4 February 2015 are not complied with.

	2023	2022
A1. CET 1 before the application of prudential filters	**194,519**	**183,119**
of which CET1 instruments subject to transitional provisions	-	-
B. CET 1 prudential filters (+/-)	-270	-177
C. CET1 gross of the elements to be deducted and of the effects of the transitional regime (A+/-B)	**194,249**	**182,942**
D. Elements to be deducted from CET1	**23**	**48**
E. Transitional regime – Impact on CET1 (+/-)	**-**	**-**
F. Total CET 1 (C-D+/-E)	**194,226**	**182,894**
G. AT1 gross of the elements to be deducted and of the effects of the transitional regime	-	-
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional regime - Impact on AT1 (+/-)	**-**	**-**
L. Total AT1 (G-H+/-I)	**-**	**-**
M. T2 gross of the elements to be deducted and of the effects of the transitional regime	-	-
of which T2 instruments subject to transitional provisions	-	-
N. Elements to be deducted from T2	**-**	**-**
O. Transitional regime - Impact on T2 (+/-)	**-**	**-**
P. Total T2 (M-N+/-O)	**-**	**-**
Q. Total own funds (F+L+P)	**194,226**	**182,894**

The Own Funds are the first safeguard against risks that a bank has to deal with and, looking forward, the level of capitalisation is a crucial lever for developing the typical business of the Bank whilst simultaneously preserving its stability.
The statement included in part B. details the single items that contribute to determining the "risk-weighted assets" for the purposes of calculating the "solvency ratios", applying the standard method, as per the rules laid down by Basel III regulations; in particular:

- CET1 ratio: given by CET1 / risk-weighted assets;
- T1 ratio: given by Tier 1 capital / risk-weighted assets;
- Own funds ratio: given by Own funds / risk-weighted assets.

With the acknowledgement in Italy of Directive 2013/36/EU (CRD IV) and in compliance with the provisions of the EBA with the Guidelines on common SREP, the Bank of Italy – in conclusion of the regular supervisory review process (SREP) – revised the bank's capital ratios, requesting additional capital with respect to the minimum regulatory requirements.
Starting from 30 June 2022, the Bank is required to constantly meet the following capital requirements:

- CET1 ratio of 8.26%, including capital conservation buffer of 2.50%. This ratio is binding at 5.76% (minimum of 4.50% and 1.26% of additional SREP requirements);
- Tier 1 ratio of 10.19%, including capital conservation buffer of 2.50%. This ratio is binding at 7.69% (minimum of 6.00% and 1.69% of additional SREP requirements);
- Total Capital ratio of 12.75%, including capital conservation buffer of 2.50%. This ratio is binding at 10.25% (minimum of 8.00% and 2.25% of additional SREP requirements).

In addition, to ensure compliance with the binding measures highlighted above and to ensure that own funds can absorb any losses deriving from stress scenarios, the Bank of Italy has identified the following capital levels that the Bank will be asked to ensure:

- CET1 ratio: 10.51%, consisting of an OCR CET1 ratio of 8.26% and a Target Component (Pillar 2 Guidance P2G), against a greater exposure to risk under stress conditions, equal to 2.25%;
- Tier 1 ratio: 12.44%, consisting of an OCR T1 ratio of 10.19% and a Target Component, against a greater exposure to risk under stress conditions, equal to 2.25%;
- Total Capital ratio: 15%, consisting of an OCR TC ratio of 12.75% and a Target Component, against a greater exposure to risk under stress conditions, equal to 2.25%.

(in thousands of Euro)

Categories/amounts	Non-weighted amounts		Weighted amounts	
	2023	2022	2023	2022
Credit risk and counterparty risk	**1,716,447**	**1,667,555**	**730,963**	**702,156**
1. Standardised approach	1,713,103	1,663,379	730,867	702,058
2. Internal ratings-based approach				
3. Securitisation	3,344	4,176	96	98
Market risk and settlement risk			**-**	**-**
Operational risk			**50,214**	**47,233**
Other specific risk			**-**	**-**
Risk-weighted assets			**781,177**	**749,389**
Regulatory capital requirements			62,494	59,951
CET1/Risk-weighted assets (CET1 capital ratio)			24.86	24.41
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			24.86	24.41
Total own funds/Risk-weighted assets (Total capital ratio)			24.86	24.41

Own funds amounted to €194.2m; net of the minimum regulatory requirements, their residual value was as follows:

- €112.1m with respect to the 10.51% threshold set for CET1 (€131.7m without taking into account the additional conservation buffer);
- €97.0m with respect to the 12.44% threshold set for total Tier 1 capital; and
- €77.0m with respect to the 15.00% threshold set for own funds;

which are considered adequate to ensure the development of the business activity and future compliance of the minimum equity requirements established by Basel III.

Trend in own funds

	2023	2022
Opening Tier 1 capital	**182,894**	**189,227**
Share capital increase (+)	-	-
Share capital reduction (-)	-	-
Non-distributed income (-)[13]	+5,707	+2,936
Change in Bank's creditworthiness (-)	-	-
Change in comprehensive income:	+5,693	-9,240
Assets through other comprehensive income	+5,702	-9,337
Defined benefit plans	+10	+97
Other	-	-
Changes in goodwill and other intangible assets	+25	+25
Changes in deferred tax assets that depend on future profitability and do not derive from temporary differences	-	-
Changes in the impact of the transitional regime	-	-
Losses in the current year	-	-
Unrealised losses measured at fair value	-	-
Unrealised gains measured at fair value	-	-
Deduction of deferred tax assets that depend on future profitability and do not derive from temporary differences	-	-
Deferred tax assets that depend on future profitability and derive from temporary differences existing as at 1 January 2014	-	-
Variation in surplus elements to be deducted from Additional Tier 1 capital with respect to Additional Tier 1 capital	-	-
Other changes	-93	-54
Changes in Additional Tier 1 capital (AT1)	-	-
Losses in the current year	-	-
Variation in surplus elements to be deducted from Additional Tier 1 capital with respect to Additional Tier 1 capital	-	-
Closing Tier 1 capital	**194,226**	**182,894**
Opening Tier 2 capital	**-**	**-**
Share capital increases that cannot be included in Tier 1 capital (+)	-	-
Share capital decreases that cannot be included in Tier 1 capital (-)	-	-
Changes in the impact of the transitional regime	-	-
Amortisation/Depreciation changes	-	-
Other changes	-	-
Closing Tier 2 capital	**-**	**-**
Own funds	**194,226**	**182,894**

13 The amount also includes the profit or losses deriving from the sale of equity securities held under the OCI option.

Rating

In November 2023, Moody's changed Mediocredito's outlook from negative to stable, leaving the previous rating levels unchanged, as reported below:

Moody's Investor Service

Outlook	**Stable**
Counterparty Risk Rating	Baa2 / P-2
Bank Deposits	Baa2 / P-2
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba2
Counterparty Risk Assessment	Baa2(cr) / P-2(cr)
Issuer Rating	**Ba1**
Senior Unsecured – Domestic	Ba1

THE SYSTEM OF INTERNAL CONTROLS, COMPLIANCE WITH LAWS AND REGULATIONS AND RISK MANAGEMENT

In spite of the fact that the Bank, given its size and business model, operates in a moderate risk context, which remained essentially stable also during 2023, it attaches particular importance to risk management and control to ensure reliable and sustainable value creation in a context of controlled risk, protecting its financial soundness and reputation.
The departments involved in Risk Management and internal controls i.e. Internal Auditing, Compliance and Risk Management, regularly discuss the issues with the General Management and with the Manager responsible for preparing the company´s financial reports directly and through several committee meetings, which have been entrusted with the task of monitoring the different risk profiles and the correct functioning of the control system. These committees include the ALCO Committee, for financial risks, the Credit Risk Management Committee, the Investment Committee for the management and evaluation of venture capital investments, the independent directors Committee for the assessment of risks in relation to related parties and significant transactions, as well as the Risks Committee for the monitoring of the overall control and risk management system.
For more in-depth information relating to tasks, missions and characteristics of the departments and committees involved, please see the relevant sections in Part E - Notes to the Financial Statements.

AUDITING ACTIVITY

Internal Auditing responsibility is entrusted to the Auditing department that constantly monitors company processes and activities to ensure that they comply with regulations and assess the effectiveness of the overall system of internal controls.
The Internal Control System has been monitored by the Internal Auditing Office that, in the reports prepared at the end of the various checks carried out in the course of the year, has always given a focus to such an important aspect. During 2023, Internal Auditing activities were also focused on controlling the correct functioning of I- and II-level controls within the Bank. Shortcomings, where encountered and in particular when considered significant, have been promptly referred to the relevant Operational Unit indicating possible solutions to be adopted, aimed at improving the complex system of internal controls. The Internal Auditing Service monitors that requested changes and the adaptation of the relative process are implemented in the course of its follow-up activity and highlights the results in special reports.
A Service Agreement is in effect between the internal auditing function and the compliance function of the Bank in order to avoid duplication in their monitoring responsibilities and obtain better efficiency in the control process. To this end, an IT tool (Allitude/SIC platform) is in place, which includes specific functionalities dedicated to the control system and, in 2023, challenging work started for the revision of the processes and updating of the relative controls, with their simultaneous replication on the above mentioned platform, following the recent change of the banking information change.

Moreover, the Internal Auditing department reports on a regular basis to the Board of Directors, the Board of Statutory Auditors, the Control Committee and the General Management on the annual and multiannual work programme in advance and with regard to the final results of all the activities carried out, highlighting structural critical points, the most suitable improvements and providing an overall assessment of the internal control system.

COMPLIANCE ACTIVITY

The management of non-compliance risk is assigned to the Compliance and Risk Management Department whose activities consist of identifying and assessing non-compliance risks, proposing organisational changes to mitigate them, providing support and advice to senior management and business units on all matters on which non-compliance risk is significant, assessing the Bank's new areas of operation, in order to identify and define the necessary regulatory compliance processes, monitoring – also together with the other company control functions – to ensure that compliance continues and promoting a business culture characterised by an observance for integrity and law.
The work method adopted was based on a "risk-based" approach – giving priority and structuring compliance activities in relation to the level of exposure to risk – and involved the use of documentary sources and extensive interaction with internal and external stakeholders who, in various capacities, contribute to the management of non-compliance risk.

In terms of regulatory compliance, in 2023 the activity of the Compliance Department focused on the following topics:
- risk management: introduction of the new second level control function dedicated to ICT risks (Bank of Italy - Circular no. 285 of 17 December 2013 - 40th Update;
- Benchmark regulation: plans to replace the benchmarks (Italian Legislative Decree no. 207 of 7 December 2023);
- investment services - MiFID 2: sustainability preferences in adequacy assessment and "Quick Fix" directive;
- supervisory reports: new report on outsourcing;
- anti-money laundering:
  - ✓ EBA Guidelines on policies and procedures relating to compliance management and the role and responsibilities of the anti-money laundering officer (pursuant to Article 8 and Chapter VI of Directive (EU) 2015/849) and Provisions of the Financial Information Unit (FIU) in relation to anomaly indicators;
  - ✓ EBA Guidelines on risk factors for customer due diligence;
  - ✓ amendments to the Provisions on organisation, procedures and internal controls for the transposition of the EBA Guidelines to the AML/CFT compliance officer (Ref. Regulations: Bank of Italy, Provision of 1 August 2023).

In addition, the activities to monitor the risk of non-compliance and the continuous updating of the Internal Control System also saw the Department active in the following areas:
- analysis of the new operating areas of the Bank;
- ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process);
- remuneration and incentive policies (data collection);
- organisational procedures for the provision of services and investment activities to the public;
- risk assets and conflicts of interest;
- anti-money laundering (strengthening of tools to combat money laundering and terrorist financing);
- operational continuity;
- transparency of customer relations;
- collateral management process for Eurosystem credit transactions - ABACO.

RISK MANAGEMENT ACTIVITY

The management and monitoring of the overall risks for the Bank is entrusted to the "Risk Management" department that, in the organisational chart, reports directly to the Board of Directors – responsible for the overall monitoring of the risk management and control system – with a reporting line into the General Management. The "Risk Management" function attends the board committees in charge of assessing and managing risks and, in particular, is part of the Credit Risk Management Committee and the ALCO Committee for financial risks, and the Risks Committee, of which it is the secretary.

The Bank's system of internal controls is based on a model that ensures the organisational separation of the control functions from the business, guaranteeing its independence.

The "Risk Management" function aims to identify, assess and monitor the overall risk of the Bank through the integrated coordination of the various risk profiles (credit, financial, etc.), by offering support to the General Management and the Board of Directors in defining the decisions regarding sustainability and risk tolerance, the policies for the assumption, governance and significant risks for the Bank, also in the ESG context, in application of the regulatory framework set forth by the Supervisory Authorities.

In 2023, the main areas of intervention of the "Risk Management" department concerned:
- activities in terms of contribution to the definition and implementation of the Risk Appetite Framework (RAF) and Statement (RAS), and the associated risk governance policies and monitoring and control of these risks and subsequent management reporting;
- risk measurement, assessment and control system correlated to the ICAAP and ILAAP obligations and compliance, as well as the quarterly monitoring of the Bank's significant risks;
- for credit risk, activities relating to the monitoring of the performance of credit exposures, risk concentrations, the assessment of the consistency of asset classifications and the adequacy of provisions for IFRS 9-compliant impaired and performing exposures; in this context, it carried out an assessment of the risk profiles of the sectors potentially subject to impairment in the project finance (energy sector) area, with particular reference to more significant exposures;
- preventive analysis of new regulations/policies and related organisational procedures, as well as their updates in accordance with internal regulations and in strict cooperation with other control functions;
- monitoring the risks on public investment services.

COMPLIANCE WITH REGULATIONS

ICT risk management (Bank of Italy Circular 285/2013 - 40th update)

In a context of growing risks related to IT security, the Bank of Italy has introduced a new second-level "ICT Risk" control function in the organisational structures of banks. The content of the new Provisions is summarised below, highlighting the salient features, in terms of:

- **role of the new Function**: *"as part of the internal control system, banks have adopted a second-level control function responsible for the management and supervision of ICT and security risks.*
  The control function is responsible for monitoring and controlling ICT and security risks, as well as verifying the compliance of ICT operations with the ICT and security risk management system (see Section III). To this end, the control function:
  - contributes to the definition of the information security policy and is informed of any activity or event that has material affects on the risk profile of the bank, significant operational or security incidents, as well as any substantial change to ICT systems and processes;
  - is actively involved in projects to substantially change the information system and, in particular, the risk control processes relating to these projects"
- **organisational placement**: *"Banks can assign the tasks of the ICT risk control and security function to a specifically established second-level function; the provisions of Chapter 3, Section III, paragraph 1, are applied to this function. Appropriate connection levels and adequate coordination forms are applied between the ICT control function and the other corporate control functions, in accordance with the provisions of Chapter 3, Section III, paragraph 3.5.*
  Alternatively, banks may assign these tasks to the corporate risk control and compliance functions, in relation to the roles, responsibilities and skills of each of the two functions, provided that the correct task performance, controls' effectiveness and the necessary technical skills are ensured".

In order to comply with the new Provisions, a specific regulatory compliance project was activated in 2023 with the aim of identifying the most suitable organisational solution for the Bank's operational and risk context and preparing a regulatory compliance plan.

Organisational solution

The organisational solution was identified in the assignment of the new tasks to the Compliance Function (Compliance and Anti-Money Laundering Office), appropriately supported by specialist consultants. The objective of this approach is threefold:

- assisting the Office in defining the new function;
- ensuring immediate risks control, through assessment (gap analysis), preparation of an action plan and management of the remedial actions identified;
- train the new function's resources.

The company providing consulting is specialised in this area and has an ISO 27001 certified operational approach and skills pertaining to the respective business processes (ISO 27001 is the international standard pertaining to information security).

With reference to the establishment of the new Function, it should be noted that:

- as a second-level function, provided it is integrated into the Compliance and Anti-Money Laundering Office, the new "structure" represents an autonomous function with specific responsibilities and powers (including budget) reporting directly to the Board of Directors;
- the new Function has, in part, taken responsibility for some tasks up to now carried out by the Internal Audit Function with regard to IT Audit, the IT Security Function and the ICT Function.

The adaptation plan

The adaptation plan prepared by the Bank was structured in two phases:

- **Phase 1**: the first phase was structured into four "Activities":

Activity	Activity description
F.1.1.	**Establishment of the ICT Risk function.** Establishment of the ICT Risk function and preparation of the documentation necessary for the formalisation of the role.
F.1.2.	ICT security audit. Carrying out an initial audit in order to verify the Bank's adequacy with respect to the main ICT security aspects. The objective of the initial audit was to verify the Bank's adequacy with respect to the main ICT security aspects, such as: 1. Organisation for security; 2. Security procedures; 3. Safety of human resources; 4. Physical safety; 5. Management of strategic suppliers; 6. Security of information systems; 7. Risk management; 8. Management of security incidents; 9. Business continuity management; 10. Communications security.

Activity	Activity description
	The audit was carried out based on the security controls required by the ISO/IEC 27001:2013 international standard.
F.1.3.	**Remediation plan.** Following the assessment activities, the results obtained were analysed and a remediation plan document, i.e. the activities necessary to meet all the requirements set forth in Circular 285 and the reference benchmarks, was formalised.
F.1.4.	**Final report**. Finally, a report was prepared, sent to the Supervisory Body by the 1 September 2023 deadline. The report indicates the activities, timing and methods for carrying out all the interventions envisaged by the ICT Risk Function. In addition, by this deadline, the Bank's internal regulations were also implemented to take into account the new function (preparation of an the ICT Risk Function regulation, updating of the Governance Regulation, Information Flow Regulation, etc.).

- **Phase 2: the second phase was structured into two fully operational "Activities" starting from September 2023:**

Activity	Activity description
F.2.1.	**Activities of the ICT Risk function**: 1. Application of security measures 2. Organisation of security 3. Risk analysis 4. Training.
F.2.2.	**Controls and registrations:** 1. Registration of audits carried out by the ICT Risk function. 2. Communications between the control functions of the Bank.

Anti-money laundering (EBA Guidelines)

In 2023 the Bank's anti-money laundering activities focused on the following fronts:

1. EBA Guidelines on risk factors for customers due diligence and Measure of the Financial Information Unit (FIU) on anomaly indicators. These provisions define the factors that credit and financial institutions and supervisory authorities must take into account when assessing the risk of money laundering and terrorist financing (ML/TF) related to their activities, individual ongoing relationships and occasional transactions with the customers. During 2023, the assimilation of these provisions continued.
   In Mediocredito's view, the new provisions represent a fundamental element for the ongoing refinement of operational processes, contributing to creating a widespread corporate culture on AML matters.
   Furthermore, the Guidelines introduce the principle that the risk profile, both at customer and country level, cannot be derived only from standardised processing. Therefore, although the risk profile is determined through automated systems, it is always necessary to assess the consistency of this profile within the organisation, justifying it and tracking the activities carried out.
   Lastly, in compliance with these provisions, it should be noted that the Bank has selected and defined in its processes the indicators that best suit its operations.
2. EBA Guidelines on Policies and procedures relating to compliance management and the role and responsibilities of the anti-money laundering officer pursuant to Article 8 and Chapter VI of Directive (EU) 2015/849. These Guidelines overall confirm the current European and national regulatory framework, introducing only a few significant changes. In particular, Guideline no. 4.1.3 - Identification of the member of the management body responsible for the AML/CFT – introduces the figure of the "Director in charge of anti-money laundering and anti-terrorism" (hereinafter also "Director in charge"), i.e. the member of the management body responsible for anti-money laundering (AML) and anti-terrorism (CFT).
   The Director in charge must have sufficient knowledge, skills and experience in the field of money laundering and terrorist financing risks and the implementation of policies, controls and procedures on money laundering and terrorism financing, with a good understanding of the business model of the Bank and the sector in which it operates.
   In addition, the Director in charge must have sufficient time and resources to effectively carry out the tasks assigned by the guidelines.
   The main duties and roles of the Director in charge are outlined below:
   - ensure that AML/CFT internal control policies, procedures and measures are adequate and proportionate;

- ensure periodic communication to the management body about the activities carried out by the anti-money laundering officer as well as the transmission to the management body of sufficiently comprehensive and timely information and data on ML/TF risks and on compliance with AML/CFT requirements;
- inform the management body of any serious or significant issues and violations concerning AML/CFT and recommend the related corrective actions;
- ensure that the anti-money laundering officer i) has direct access to all information necessary for the fulfilment of their duties, ii) has human and technical resources and sufficient tools to be able to adequately perform the tasks assigned to them, and iii) is both well-informed on AML/CFT-related incidents and shortcomings identified by internal control systems and national supervisory authorities and, in the case of groups, by foreign supervisory authorities.

In identifying the Director in charge, the Management Body must take into consideration the Director's potential conflicts of interest.
These provisions will find their practical application with the next renewal of the corporate bodies (April 2024).

3. Guideline no. 4.2.4, lett. e) and the amendments to the Provisions on organisation, procedures and internal controls for the transposition of the EBA Guidelines to the AML/CFT compliance officer (Ref. Regulations: Bank of Italy, Provision of 1 August 2023) have instead introduced some changes in the annual report of the head of the AML function. The renewed regulatory context now requires the report to describe/disclose:
   - the anti-money laundering function in the company (or group) organisation, including the changes that took place during the year, the human and technical resources assigned and the outsourced processes;
   - the distribution of customers (in absolute terms and as a percentage of the current ones) among the different risk classes (previously, reference was only made to the highest risk classes such as, for example, politically exposed persons, cross-border correspondence relationships, relationships with subjects residing in high-risk third party countries);
   - the number of relationships with customers closed due to anti-money laundering anomalies;
   - any malfunctions ascertained by other internal control functions and the corrective measures implemented;
   - communications with the supervisory authority, including the sanctions imposed and the remedial actions required by the latter;
   - the number of requests for information received from the FIU, from judicial authorities and from investigative and police bodies.

Benchmark regulation: plan to replace the benchmarks (Italian Legislative Decree no. 207 of 7 December 2023)

On 27 December 2023, a Legislative Decree was published establishing a Committee for macroprudential policies (Article 1), dictating the rules necessary for the full enforcement of Article 23-ter, paragraph 7, and Article 28, paragraph 2, of the Benchmark Regulation - BMR (Regulation (EU) 2016/1011, as amended by Regulation (EU) 2021/168, on the benchmarks used for financial instruments and financial contracts.
In particular, the Legislative Decree, which became effective on 11 January 2024, introduced Article 118 bis ("Substantial change or termination of a benchmark") into the Consolidated Law on Banking. As regards the banking sector and Mediocredito in particular, it is important to highlight the provisions of Article 28 of the BMR Regulation on the plans to replace benchmarks. The plans must indicate the actions to be taken in the event of substantial changes in a benchmark or if it is no longer provided.
Specifically, the new provisions establish that:

1. banks and financial intermediaries must publish, also in extract form, and keep constantly updated on their website, the plans for the replacement of the benchmarks envisaged by Article 28, paragraph 2 of the BMR;
2. that replacement plans must specify the actions to be taken in the event of substantial changes in a benchmark or if it ceases to be provided;
3. updates to these plans must be brought to the attention of customers at least once a year or at the earliest opportunity, through a disclosure issued in the manner provided for in Article 119 of the Consolidated Law on Banking (periodic transparency communication);
4. the contractual clauses concerning the interest rates must make it possible to identify, also by reference to the replacement plans, the changes to the benchmark or the replacement index for substantial change assumptions or termination of the index applied to the contract (Article 28, paragraph 2);

5. upon the occurrence of a substantial change or termination of the benchmark, the changes to the index or the replacement index must be communicated to the customer within 30 days, in writing or by other durable medium previously accepted by the customer; the amendment is considered accepted if the customer does not withdraw from the contract, without charge, within two months of receipt of the communication;
6. changes or replacement of the benchmark not complying with the above requirements will be ineffective, with consequent application of the replacement index defined pursuant to the BMR. If this benchmark has not been defined, the rate envisaged by Article 117, paragraph 7, letter a), or, for consumer credit agreements, by Article 125-bis4, paragraph 7, letter a), of the Consolidated Law on Banking (paragraph 4) will apply.

The European provisions (BMR Regulation) envisage the application of the replacement plans rule to financial instruments and financial contracts. With particular reference to the latter, application is also envisaged only to contracts entered into with consumers. In fact, Article 3 of the BMR Regulation, paragraph 1, number 18 defines the financial contract as:

- any credit agreement as defined in Article 3 (c) of Directive 2008/48/EC, or a contract on the basis of which the lender grants or undertakes to grant the consumer a credit in the form of deferred payment, loan or other similar financial facility, with the exception of contracts relating to the continued provision of a service or the supply of goods of the same type on the basis of which the consumer pays the consideration, for the duration of the service or supply, through instalment payments;
- any credit agreement as defined in Article 4 (3) of Directive 2014/17/EU, or a contract on the basis of which the lender grants or undertakes to grant the consumer a credit that falls within the scope of application of Article 3 in the form of deferred payment, loan or other similar financial facility.

On the other hand, the transposition into national law extended the application to all contracts concerning transactions and services regulated pursuant to Title VI of the Consolidated Law on Banking ("Transparency"), even if different from those referred to in Article 3, paragraph 1, number 18), of the BMR, and to the parties that provide the related services, de facto extending operations to parties other than consumers.

With regard to the transition phase, within one year from the date of entry into force (11 January 2024) of the new regulations, under penalty of invalidity of the contractual amendments, banks and financial intermediaries are required to:

- notify customers of the publication of the replacement plans;
- communicate to customers in writing or by other durable medium, the contractual changes necessary to introduce the replacement clauses, providing that the change is understood to be accepted if the customer does not withdraw from the contract, without charge, within two months of receipt of the communication; in the event of withdrawal, they have the right, at the time of liquidation of the relationship, to the application of the conditions previously applied. The communication must contain the formula "Proposed unilateral contract amendment";
- ensure that the replacement plans updates are brought to the attention of customers at least once a year or at the earliest opportunity, through a disclosure issued in the manner provided for in Article 119 of the Consolidated Law on Banking (periodic transparency communication).

With regard to this regulatory context, Mediocredito has activated a specific project aimed at regulating the following aspects:

- for contracts already in place, under penalty of invalidity of the contractual amendments, communicate to customers in writing or by other durable medium the "Proposed unilateral contract amendment", or the contractual changes necessary to introduce the replacement clauses, providing that the change is understood to be accepted if the customer does not withdraw from the contract, without charge, within two months of receipt of the communication;
- for new contracts, provide that:
  - o the contractual clauses concerning interest rates make it possible to identify, also by reference to the benchmark replacement plans, changes to the benchmark or replacement index for assumptions of substantial change or termination of the benchmark applied to the contract;
  - o upon the occurrence of a substantial change or termination of the benchmark, the amendments to the benchmark or the replacement index are communicated to the customer 30 days before the change or termination of the benchmark takes effect, and that the change is understood to be accepted if the customer does not withdraw from the contract, without charge, within two months of receipt of the communication.
- prepare, publish and update, also in extract form, on the Bank's website the plan that specifies the actions to be taken in the event of substantial changes in a benchmark or if the same is no longer provided, the "Plan for the replacement of benchmarks";
- communicate to customers the publication of the "Plan";

- lastly, in the event of future Plan updates, inform customers of the update by means of a disclosure drafted in accordance with Article 119 of the Consolidated Law on Banking (transparency records).

investment services - MiFID 2: sustainability preferences in adequacy assessment and "Quick Fix" directive

Official Gazette of 24 March 2023 published Italian Legislative Decree no. 31 of 10 March 2023 implementing the "Quick-fix Mifid" Directive (Directive EU 2021/338 of 16 February 2021), which amends Directive EU 2014/65 (Mifid II) with regard to information obligations, product governance and position limits, which is the last step to complete the enforcement, at national level, of the provisions of the Quick-fix MiFID Directive.
In force since 8 April 2023, the Legislative Decree makes changes to the Consolidated Law on Finance to adapt the primary legislation to the provisions of the "Quick-fix Mifid" Directive.
With specific reference to the information obligations of parties licensed to provide investment services and activities, Article 21 is amended, requiring intermediaries to provide customers or potential customers with all the information requested in electronic format, unless the customer or potential customer is a retail investor who has requested information on paper format, which must be provided free of charge. This amendment introduces two new standards:

- all communications must be in electronic format. Only for retail customers is it possible, at their express request, to retain the paper format;
- the provision of communications in paper format must also be free of charge (it is not possible to request the recovery of costs incurred).

In this regard, the Legislative Decree provides that:

- intermediaries must communicate to their existing retail customers receiving information in paper format that information can continue to be provided on paper or in electronic format and that automatic transition to the electronic format will occur if customers have not expressly requested to continue to receive information in paper format within eight weeks from receipt of the communication;
- the above communication must take place at the earliest opportunity (for example together with the periodic statement) and in any case no later than 120 days from the date of entry into force of this decree, therefore by 7 August 2023.

With regard to the Bank's operations, the impact of the "Quick-fix Mifid" Directive was essentially limited to the management of the new method for forwarding information. To this end, a specific project was envisaged in order to:

- verify, for each customer involved in investment services and activities (regardless of the type of customer), the methods currently recorded for the forwarding of communications;
- send - by 7 August 2023 - a specific communication to all interested customers, differentiating retail customers and qualified counterparties and professional customers;
- adapt the current contractual format, providing for the different options of communications forwarding for the two types of customers.

Supervisory reports: new report on outsourcing

On 1 June 2023, the Bank of Italy published the measure of 31 May 2023, containing the provisions for disclosures on outsourcing, together with the reporting scheme, the synoptic table of the values allowed for the attributes of the notification and the information for the identification and registration of the Subjects Register Code. The provisions came into force on the day following their publication in the Official Gazette.
The disclosure is instrumental to the performance of supervisory activities and is relevant for the identification and assessment of any situations relating to service providers concentration.
The structure of the notification requires the provision of data on six main aspects: i) information on the contract; ii) signatory to the contract; iii) user of the contract; iv) category of the outsourced function; v) services provider; vi) essential or important function (EIF or IOF). In general, for all Outsourcing agreements (including non-EIF/IOF), detailed information is required regarding:

- duration, terms of renewal and notice, cost of the contract;
- contract signatories and users;
- service providers;
- type and characteristics of the outsourced function;
- for services provided in cloud mode, the cloud model used and the cloud provider.

On the other hand, with reference to agreements for the outsourcing of essential or important functions (EIF)

or important operating functions (IOF), additional information is required, including:
- the rationale for this classification;
- the assessment of the risks deriving from outsourcing;
- the decision-making body that resolved the outsourcing;
- audits carried out and planned;
- the assessment of the extent to which the service provider can be replaced;
- sub-outsourcing and any subcontractors;
- the country where the services are provided and the country where the data is stored.

The report must be made on an annual basis, with a reference date of 31 December, and must be sent to the Bank of Italy by 30 April of the year following the reference date. The deadline for notification of the Outsourcing contracts in place as at 31 December 2022 to the Bank of Italy is set at 31 December 2023 only in case of first-time application.

Investment services – MiFID 2 (ESMA 35-43-3172 Guidelines)

In September 2022, ESMA published the final document "*Guidelines on certain aspects of the MiFID II suitability requirements*", i.e. the update of the Guidelines on some aspects of the MiFID II adequacy requirements on sustainability preferences in adequacy assessment.
The adequacy assessment applies to investment advisory and portfolio management services provided to retail customers and, as highlighted by ESMA, also to professional customers to the extent of their relevance. In particular, the changes introduced reflect the changes made to the Delegated Regulation (EU) 2017/565 (MiFID II Delegated Regulation) on sustainability and are found in points 16, 26 to 29, 46, 47, 57, 72, 73, 81 to 86, 106 and 111 of the aforementioned document.
The Guidelines establish that companies offering investment services must use clear and simple language to express the concept of sustainability preferences in order to collect sufficiently granular information on customer preferences to allow a correspondence between the preferences expressed in relation to sustainability and the characteristics of financial instruments. By way of example, it is useful to ask the customer directly whether or not they have sustainability preferences, if they want to consider the main negative effects or if they want to indicate a percentage of the portfolio to be invested in products that meet their sustainability preferences.
The Guidelines also take into consideration the case when it is intended to recommend a product that does not meet the customer's initial sustainability preferences. In particular, with reference to investment consultancy, this is possible only after the customer has adjusted their sustainability preferences, changes which must be noted together with the reason for this decision.
Even in the case of portfolio management, before acting, it is necessary to adapt the customer's preferences and record this decision in the mandate.
To this end, Mediocredito has implemented a project in order to:
- updating the adequacy assessment processes and the related questionnaires in order to implement procedures and methodologies that make it possible to consider the different characteristics of each investment product, including sustainability factors;
- increase the knowledge and skills of personnel, who must be able to understand customers' sustainability preferences.

Corporate governance provisions (Bank of Italy Guidelines)

On 29 November 2022, the Bank of Italy published a document known as "Guidelines of the Bank of Italy on the composition and functioning of the boards of directors of LSIs".
While confirming the current regulatory framework as a whole, these Guidelines introduce some new elements that must be adopted in the self-regulation system or in banking practices. In particular, the Guidelines concern the corporate governance structures of LSIs, focusing on the composition and functioning of the Board of Directors.
As regards the composition and organisation of the Board of Directors, the main points touched upon by the Guidelines concern:
- diversification in the composition of the board (diversity), in order to ensure the proper functioning of the corporate governance mechanisms of banks;
- diversification of the directors' skills (with particular reference to IT/fintech/cybersecurity and risk management matters);
- gender diversity;

- the optimal and effective qualitative and quantitative composition of the board;
- the provision of a limit to the number of mandates in the By-laws or internal regulations;
- top management succession planning in order to guarantee that the knowledge, skills and expertise of the corporate bodies are adequate to the current and future needs of the bank;
- the provision of training programs for directors on issues of specific interest to the bank.

To this end, the Compliance and Organisation Functions - in agreement with the General Management - developed a plan to adapt to the new Guidelines of the Bank of Italy, which was approved by the Board of Directors in the first meeting of 2023.

EBA guidelines on loan origination and monitoring (EBA/GL/2020/06)

On 29 May 2020, the EBA (European Banking Authority) published the final version of the new *Guidelines on Loan Origination and Monitoring* – EBA/GL/2020/06, hereinafter LOM or Guidelines.
After years of attention to the reduction of the stock of impaired loans (consequent to the serious financial crisis of 2008), the European Regulator has begun to study regulations aimed at making the lending activity of credit institutions less "risky", paying great attention to both the granting of loans and their subsequent monitoring. Furthermore, unlike the Guidelines on Non-Performing Loans published by the Regulator in 2017, the approach adopted in the LOMs covers all the operational areas of credit institutions (such as, for example, Information Technology for the development of automatic tools ever more advanced for creditworthiness assessment) and the introduction of automatic processes for "particular" contexts such as ESG (Environmental, Social and Governance). Specifically, the Guidelines concern:

- the devices, processes, internal governance mechanisms and credit and counterparty risk requirements, pursuant to Articles 74, paragraph 1 and 79, of Directive 2013/36/EU (CRD IV);
- the requirements relating to the assessment of consumer's creditworthiness, governed by Chapter 6, of Directive 2014/17/EU (Mortgage Credit Directive — MCD) and by Article 8 of Directive 2008/48/EC (Consumer Credit Directive — CCD).

With a note dated 20 July 2021, the Bank of Italy communicated the transposition of the Guidelines into national law (the Guidelines apply to banks, banking groups and, in part, to financial intermediaries pursuant to Article 106 of the Consolidated Law on Banking - TUB).
The key aspects that differentiate the new Guidelines are highlighted below:

- <u>financial sustainability of the customer</u>: both in the granting and monitoring phase, the Guidelines require the introduction of standards based on the concept of affordability, or financial sustainability of the customer in the medium-long term. This valuation approach must be used for both consumers and corporate customers. For example, for households, ability to save indicators are envisaged, such as loan to income or loan service to income, while for companies, indicators related to the ability to generate flows, to the inexperience/competence of the entrepreneur (including risk of generational change), etc. In this context, both in the origination and monitoring phase, the Guidelines require the evaluation of macroeconomic and industry scenarios and the development of sensitivity analyses, providing for stress tests to be carried out on the entire portfolio used, even if differentiated according to the customer and the nature of the relationship;
- <u>sustainability of the business model</u>: the LOMs are not limited to intervention on the granting and monitoring phases but require the sustainability of the bank's business model, highlighting the need for a loan pricing model that ensures the generation of value at customer and credit line level;
- <u>data infrastructure</u>: in parallel with the indications on processes and procedures, the Guidelines require that the granting and monitoring phases are supported by a greater completeness and soundness of the data infrastructure, managing all the information collected as part of the investigative activities;
- <u>early warning systems</u>: the Guidelines also require the refinement of the early warning systems with:
  - information sets (e.g. performance of guarantors and the value of the guarantees, commercial and financial covenants, etc.);
  - target events (expanding, for example, the concept of deterioration with respect to mere default);

  and integrating them into the credit granting and management process;
- <u>specialisation of decision-making policies and processes</u>: LOMs require specialisation of decision-making policies and processes, effectively overcoming the concept of "general credit chain";
- <u>supervision of credit skills</u>: specialisation is accompanied by a request for supervision of the credit skills of the actors involved in the granting and monitoring process (managers, decision-making structures, managers of high-risk positions, etc.). For these purposes, national and EU best practices provide for the breakdown of the actors involved on the basis of knowledge and expertise, especially in terms of predictive capacity, in order to define suitable delegated powers and dedicated training and career paths.

Some important deadlines relating to the transitional regime granted by EBA by virtue of the COVID-19 pandemic emergency are reported below:
- 21/07/2021 → entry into force of the LOMs on loans disbursed after that date;
- 30/06/2022 → LOMs applied also to loans and advances already existing as at 30 June 2021 if their terms and conditions were amended after 30 June 2022, provided that the changes follow the approval of a specific credit decision, and if their implementation requires a new loan agreement with the customer or an addendum to the existing agreement.
- 30/06/2024 → by this deadline, credit institutions must have filled any data gaps (through a regular review of borrowers' creditworthiness) and adjusted their monitoring structures and IT infrastructures.

In this context, the Bank is completing a specific company project, launched following the adoption of the new IT platform, aimed at strengthening the operating processes so as to make them fully compliant with the requirements in question. Below are the guidelines followed in the implementation of the framework:
- strengthening of strategic credit planning processes by strengthening the framework for defining and monitoring credit policies;
- review of credit granting processes to optimise creditworthiness assessment mechanisms;
- introduction of credit monitoring models, both at counterparty and portfolio level, using increasingly predictive logics in order to intercept the first signs of credit deterioration and activate the appropriate management actions;
- provision of operational and organisational models adapted to the new methods of origination and monitoring of credit in all its life stages;
- introduction of an enhanced IT architecture to manage credit granting and monitoring processes, also through the use of tools aimed at the creation of structured information databases on credit;
- continuous training of personnel involved in credit processes.

Basel III (Bank of Italy Circular no. 285/2013 *- recall*)

As of 1 January 2014, Regulation (EU) no. 575/2013 ("CRR"), which introduces the rules defined by the Basel Committee on banking supervision regarding capital adequacy (First Pillar) and public disclosure (Third Pillar) (known as Basel III). The CRR is integrated by Directive 2013/36/EU ("CRD IV"), the Regulatory Technical Standards (RTS) and the Implementing Technical Standards (ITS).
With regard to liquidity risk, in compliance with the EBA guidelines, the internal liquidity adequacy assessment process (ILAAP) was carried out and the related report produced. Further details are provided in the relevant section of Part E of the Notes to the Financial Statements.

First Pillar

Regarding the First Pillar, the Bank continued to adopt a simplified version of the Standardised Approach. Such methodology foresees sub-divisions in "portfolios" regarding the exposure of the bank and the application of a specific weighting factor to each portfolio.
As part of its basic guidelines, the Bank continued to perfect measures of Credit Risk Mitigation (CRM) in relation to the "exposures secured by property" portfolio. The related monitoring activity carried out in particular on non-performing positions was systematically implemented.
The structure comprises organisational controls - activities aimed at identifying and implementing the process stages, and procedural/operational controls. These consist of ways to activate an automated system for appraising the value of real estate (a service offered by an external provider), which is used in conjunction with real estate estimates carried out by the internal experts (belonging to an organisational unit that is autonomous and independent from the main businesses).

Second Pillar

The Risk Management supervised the capital adequacy assessment process (ICAAP) by reiterating the process at quarterly intervals to check and possibly improve the overall assessment structure, test the methodologies used to quantify measurable risks and to assess the results of the process both in terms of overall capital absorption and in terms of individual risk. This was done to verify that capital resources are able to cover the unexpected losses deriving from risks for which minimum capital requirements needs have not been established. The basic purpose of ICAAP is to determine Total Capital and check its capacity (in current terms - also introducing stress hypotheses - as well as prospective terms) to cover all relevant risks to which the Bank is exposed.
Out of these activities, the following conclusions have been made for 2022:

- confirmation of the procedure for the ICAAP Process and relative regulations both in terms of sphere of competence assigned to bodies and corporate functions, and of operational stages and information flow in relation to the size and nature of Bank activities;
- the consistency between ICAAP, RAF and Recovery Plan;
- confirmation of current and future capital adequacy.

Third Pillar

During 2023, the Public Disclosure as at 31 December 2022 was prepared and published.
The choices made by the Bank to comply with the disclosure requirements were approved by its supervisory body, which also performs the task - with the participation of the General Management - of adopting the necessary measures to comply with the requirements. Finally, the Board of Statutory Auditors – as body with control function - verifies the adequacy of the procedures adopted.
In particular, the disclosure presents, among other things, the composition of Own Funds with an indication of the capital requirements (including additional capital with respect to the minimum regulatory requirements) that the Bank is required to apply following the conclusion of the regular supervisory review process (SREP) by the Supervisory Body;
Also note that the other mandatory relevant information required by Article 432 of the CRR, namely:

- information pursuant to letter c), paragraph 2 of Article 435 of the CRR in relation to the corporate governance provisions contained in the "Report on corporate governance and ownership structures";
- information pursuant to Article 450 of the CRR regarding the implementation of the "General remuneration and incentive policies";

is published on the Bank's website.

Definition of *default (recall)*

Even though this regulation has come into effect from 1 January 2021, it is considered opportune to recall the basic rules relative to the definition of "default", with which all financial intermediaries (banks and otherwise) have been aligned, pursuant to Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies and related provisions of the European Banking Authority (EBA) and the European Commission. The aforementioned Regulation (see in particular Article 178), in defining the essential conditions in the presence of which a debtor must be considered in a state of default, delegates:

- the EBA to carry out the task of defining the guidelines on the application of the definition of default as well as the technical regulations on the so-called "materiality thresholds" (see the "Guidelines on the application of the definition of default pursuant to Article 178 of the EU Regulation no. 575/2013" and "New regulatory techniques relating to the materiality threshold of past due loans");
- the European Commission has the task of quantitatively determining the extent of these thresholds.

In view of this renewed regulatory framework, the main changes that have occurred are shown below.

1. Objective default.

The new definition of default did not change the time limits for triggering the classification of past due positions (the limit of 90 days remained unchanged); the element on which the regulators intervened is the so-called "materiality threshold", i.e. the exemption that allowed banks - within certain limits - not to classify a position as default (set until 31 December 2020 in the 5% of total exposure).
On the basis of the new regulations, there will be an objective default (past due) after 90 days from the maturity date of the obligation (instalment payment), without the debtor having fulfilled it, in the presence of both of the following conditions (new "materiality thresholds"):

- the unpaid portion must be at least 1% of the debtor's total exposure (this component - valid for all types of counterparties - is defined as the "relative component");
- the total value of the past due exposure must be at least €100 for retail exposures / retail customers and €500 for other exposures / non-retail customers (so-called "absolute component").

2. Subjective default.

In any case it is still possible to classify a customer in default subjectively, or in the opinion of the bank, if this is not deemed able to fulfil the obligations assumed (if not through the enforcement of the guarantees given to cover the credit), or, in the case of unsecured credit positions, is not deemed able to promptly fulfil the obligations undertaken.
In this regard, it should be noted that in its Guidelines, in order to harmonise the discretion granted to intermediaries in the classification of customers, the EBA considered it appropriate to define a series of triggers

in the presence of which the position must be qualified as in default. In particular: a) in the case of disposal of loans for which there has been a "distressed restructuring" (of the debt) that entailed a substantial remission of the same or a deferral of payments of principal, interest or commissions with a loss higher than 1% of the original debt; b) in case of bankruptcy of the borrower; c) in the event of specific provisions on the exposure in accordance with IFRS 9; d) in the event of loss of sources of income and increase in the level of financial leverage.
Upon the occurrence of the above conditions, all exposures to the debtor must be considered in default.

3. Default contagion.

The new regulation also introduces another important aspect called "default contagion", by virtue of which:

- if the joint account is in default, the contagion applies to the exposures of the individual joint holders;
- if all the joint holders are in default, the contagion is automatically applied to the exposures of the joint account.

In this regard, it points out that this new provision applies only to joint transactions and not to legal and/or economic links between parties (companies belonging to the same group).
On the other hand, within banking groups, the classification of a default position with one company of the group will entail the extension of this classification to all the companies of the same group.

4. Offsetting between exposures.

A further change related to the new definition of default is that it is no longer possible to apply the offsetting of past due amounts with any other available funds on unused or partially used credit lines, consequently classifying the customer as in default even in the presence of other available credit lines.

5. Restructuring of credit lines.

The regulations also introduce a new threshold for the classification as default in cases of credit line restructuring due to financial difficulties of the customer. If, as a result of the remodulation (forborne), a loss of more than 1% occurs, the Bank is required to classify the customer in a state of default (known as Diminished financial obligation).

6. Disposal of loans through securitisations.

The new EU provisions also apply to the disposal of loans through securitisations ("traditional securitisations", i.e. those that transfer ownership of the loans to the special purpose vehicle). In particular, the EBA Guidelines identify the cases in which the disposal of loans must be considered an indication of default with consequent classification of the customer. In particular:

- position without default index: if the disposal takes place for corporate policy reasons, or to increase liquidity, the loss resulting from it is not to be considered an indicator of default if the bank is able to document that the loss itself does not derive from an impairment of the possibility of debt recovery;
- position with default index:
    - individual position: if the sale takes place due to the decrease in the possibility of credit recovery and the loss incurred by the bank is greater than 5% of the value of the receivable gross of value adjustments, the transaction will give rise to a default ratio with consequent classification of the position (and any other related positions) in default status;
    - loan portfolio: in the event of disposal of a loan portfolio, if its price is determined by applying a discount to the total value of the loans (gross of value adjustments) that is such to entail a loss of more than 5%, it will be necessary to extend the default status to the entire portfolio (i.e. to all individual positions). The extension of the status should not be applied if the portfolio price was determined by specifying the discount rate applied to the individual positions.

7. Exit from default classification.

The provisions in question also introduce new conditions to "exit" the default condition; in particular, the transition to performing status will take place after the cure period that is three months after the position is settled (i.e. from the moment in which the conditions set forth in Article 178 of the CRR cease), or one year with reference to the customers that benefited from debt restructuring.
In these cases, the new provisions require that an important role is played by the bank's assessment of the customer's overall financial situation. The return to a performing status will in fact be possible only if the financial situation of the customer is considered stable in an effective and permanent manner.

ESG factors and corporate social responsibility

Following the Paris Agreement on climate change and the formalisation of the United Nations 2030 Agenda, sustainability has assumed an increasingly central role in the development projects of European institutions and in the future of the main companies as confirmed by the ambitions and objectives of the European Green Deal.

We are also witnessing this development at the Italian level and non-financial information is becoming increasingly important, stimulating and supporting a transition towards a way of doing business that is increasingly attentive to environmental, social and governance aspects.
Aware of the importance of social responsibility in doing business, the Bank has already included some sustainability objectives in the 2020-2022 Business Plan as well as in the more recent one, the 2023-2025, leading to some interventions being adopted and planned, the most significant of which are illustrated below.
On the basis of the supervisory expectations of the Bank of Italy on climate and environmental risks, Mediocredito also embarked on a process – with the support of a specialised consultancy company – for the adoption of the three-year action plan aimed at encouraging progressive integration of climate and environmental risks in corporate strategies, governance and control systems and the risk management framework.
In particular, for the *Environment* pillar, Mediocredito's objective is to act as a driver for the transition of companies towards a sustainable economy. For the *Social* pillar, it intends to continue with activities to support the community and local areas, in the development of educational programs and of a culture of inclusion at all organisational levels. In terms of *Governance*, the Bank intends to start a path towards sustainable leadership with the inclusion of ESG objectives in remuneration mechanisms, the preparation of a non-financial report on a voluntary basis and the attainment of an ESG rating.

1. *ESG in the Bank of Italy action plan.*

In the first quarter of 2023, the Bank presented its three-year Sustainability Action Plan for progressive alignment with the "Supervisory expectations on climate and environmental risks" of the Bank of Italy.
This plan is divided into four work "sites", with all the relevant functions of the Bank involved in all of them, and specific interventions were identified to implement the aforementioned supervisory expectations.
The work macro-areas are:

- Governance, Internal Controls, Operations & Disclosure
- Risk Management
- Credit
- Finance

The plan envisages interventions for the integration of climate and environmental risks in governance and control systems, in the corporate strategy and business model, in the organisational system and operating processes, in the risk management system and in the reporting.
During the first year of implementation of the plan, various initiatives were carried out that led to the achievement of the first planned goals.

2. *Governance.*

In the context of the Corporate Bodies' responsibilities, the Bank has launched a process for the integration of Environmental, Social and Governance (ESG) issues in the regulations and in the self-assessment questionnaires intended for its members. In addition, training on ESG issues was provided to directors, given the importance of promoting specific sustainability skills among those in strategic and leadership roles, to foster greater awareness of the social and environmental implications in decision-making processes.
With regard to the control functions, these are progressively developing their activities taking into account regulatory developments and the growing integration of ESG factors into company policies, practices and processes.

3. *Business*

The Bank has launched preliminary portfolio analyses to identify any exposures to economic sectors most affected by physical and environmental risks (e.g. energy-intensive companies, tourism sector, etc.) in order to understand and limit the financial impacts associated with them and consequent significant repercussions on the Bank's performance. These analyses must be further developed and detailed through the recovery of data from specialised external providers. During the year, together with other banks who are customers of the same IT system supplier (Allitude), the Bank initiated discussions with the IT outsourcer to plan solutions aimed at the integration of:

- ESG scores relating to the current credit portfolio counterparties, with the possibility of obtaining new customers' scores in real time.
- energy and physical risk data on properties used as collateral.

The next step will be to ensure that disbursement and monitoring processes incorporate ESG criteria, including sustainability scores within credit facility application assessments.

Finally, through the Green Asset Ratio (GAR), we will need to be able to assess the sustainability of the investment portfolio and its contribution to the transition to a greener economy (Pillar III).

Summary of the interventions envisaged by the Sustainability Action Plan launched and/or concluded in 2023

Scope	Intervention description	Purpose
Corporate bodies' ESG responsibilities	Assessment of integration of the Board of Directors' responsibilities in the ESG area (e.g. update of regulations)	Q3 2023
	Integration of ESG issues in the self-assessment questionnaire for members of the Board of Directors	Q4 2023
	Provision of training on ESG issues to the members of the Board of Directors	Q4 2023
Compliance and Internal Audit Functions Controls (ESG Scope)	Audit of compliance with regulations on ESG aspects (focus on climate and environmental risks)	*In progress*
	Provide monitoring and analysis of new regulations on sustainability	*In progress*
Credit Products Catalogue	Review of the credit product catalogue and integration of lending products from an ESG perspective, through the inclusion of Taxonomy Aligned Products and assessment of the extension of the offer from an ESG perspective; drafting of guidelines and criteria for the development of products with sustainability-linked objectives	*In progress*
Data provision (credit)	Selection of a data-provider for the provision of ESG data (in particular on climate and environmental risks) specific to the implementation of the planned loan activities	*In progress*

4. Financial instruments for companies' green growth

From the point of view of expanding the range of products/services, the Bank is progressively increasing its offer of financial instruments focused on environmental sustainability characteristics. A review of the loan product catalogue is underway for the consequent integration and extension of the loan product range from an ESG perspective, with objectives linked to sustainability.

The various financial solutions proposed to support the business of companies include:

a) the Invest EU agreement, signed with the European investments Fund (EIF), for the "Invest EU Sustainability" guarantee product aimed at supporting investments that contribute to a greener European economy. In particular, in 2023 the Bank used this guarantee instrument for companies that have invested in renewable energy, in green transition processes or hold green certifications, issued by European bodies;
b) at the end of the year, a procedure was launched for participation in the Light Sace Green agreement, signed in January 2024, with the aim of guaranteeing funding for projects aimed at pursuing Environmental Objectives, defined according to the EU Taxonomy;
c) in 2023, the Bank worked on the drafting of the contract relating to the new credit line of the European Investment Bank (EIB), a SACE-guaranteed €70m loan aimed at promoting business investments in Italy, at least 25% of which is intended to support initiatives aimed at combating climate change. In parallel with the stipulation of the loan agreement with the EIB, an agreement was signed for an EIB's advisory service, offered by the European Commission as part of the "Green Gateway" consulting programme which will help the Bank to improve the green project eligibility assessment process and the monitoring of their environmental impact, as well as to strengthen expertise in EU taxonomy and to develop new financial products dedicated to promoting climate action. Both agreements were finalised and signed in the first quarter of 2024.

Loan product offer from an ESG perspective

Product	Description	Status
EIF Guarantee **Invest EU Sustainability**	Guarantee agreement to support investments that contribute to a greener European economy. Applicable to sustainable companies and green investments that particularly meet the "**mitigation and adaptation to climate change**" objective.	active
SACE guarantee **Green Light**	Guarantee agreement for the funding of projects aimed at pursuing "**Environmental Objectives**", as defined by the European taxonomy. In addition to SMEs and SMCs, large companies are also included in the eligible beneficiaries.	process started in 2023 – accession to the Convention on 22 January 2024
EIB borrowing operations **MCTAA Loan for SMEs and Climate Action**	Loan agreement for a minimum amount of **25%** for projects aimed at **combating climate change**: • Energy and project finance loans identified with the EIB through Due Diligence • Investments made by SME and Midcaps related to the green economy	process started in 2023 – signing of the agreement on 6 March 2024

5. Employee health and well-being

From a welfare point of view, also for 2023 the Bank renewed the trade union and individual contractual agreement relating to smart working, introduced during the Covid emergency period. Compatibly with the different professional profiles, most of the collaborators have continued to use this flexible way of working, with a positive impact on their life-work balance, on mobility and on the reduction of emissions related to commuting.
With a view to the centrality and enhancement of its human capital, in the early months of 2024 the Bank began work to attain the Gender Equality Certification, an NRRP measure pertaining to the Department for Equal Opportunities of the Presidency of the Council of Ministers, aimed at demonstrating a practical commitment to promoting gender equality. For this reason, it intends to pursue the creation of a specific Gender Equality Management System to assist the organisation in attaining the UNI/PdR 125:2022 Certification.

6. Responsibilities for the environment and the community.

Approximately 97% of the electricity purchased by the Bank derives exclusively from certified renewable sources. With the aim of maintaining these excellent levels and covering 40% of own needs through self-production from renewable sources, in 2023 the Bank concluded the construction of a photovoltaic system (36 kw) on the roof the Trento office combined to an overall intervention to improve the building's energy efficiency, to be completed over the 2024 and 2025 financial years.
In this context, the Bank has also been committed to adopting measures and technologies aimed at reducing paper consumption. In particular, also following the introduction of remote work, the dematerialisation of documentation archiving processes, the introduction of the digital signature which allowed the electronic sending of correspondence, the use of information sources (newspapers, banking system information, etc.) with access to the respective web portals were all encouraged. In addition, the Bank has activated a program to replace laser printers with the latest generation inkjet systems that allow to eliminate harmful ozone and fine dust emissions, while reducing the unit cost of prints.
With regard to the issue of local community sustainability, it should be noted that the bank has a policy for regulating donations, in line with the guidelines of many financial institutions, including the Bank of Italy. In particular, this policy has defined some objectives aimed at:
• promote associations and the third sector (non-profit);
• introduce the rotation principle in order to promote the largest number of beneficiaries;
• encourage supports of small entity, also defining a maximum contribution limit for each beneficiary;
• promote associations and organisations mainly operating in the Trentino - South Tyrol Region.

Also in 2023, the Bank allocated part of the value generated - 5% of the 2022 net profit - to the benefit of the community.

The Bank also constantly monitors the application of the following regulations previously in force:

- Circular no. 285 of 17 December 2013 - "Corporate governance": the updated version of the Corporate Governance Project is published on the Bank's website (www.mediocredito.it);
- Public system for preventing, from an administrative point of view, fraud in the consumer credit sector, with specific reference to identity theft (Legislative Decree no. 141 of 13 August 2010) – A specific agreement is in place with the managing body (CONSAP) for membership of the system in question;
- Database of Relations (Presidential Decree 605/1973): the submission to the Inland Revenue of the reports as at 31 December 2022 was carried out on 7 February 2023, as prescribed in the regulations in force;
- *Foreign Account Tax Compliance Act* (FATCA);
- Tax identification of holders of financial accounts (CRS – Law no. 95/2015 – Directive 2014/107/EU)
- Legality rating (Ministerial Decree no. 57 of 20 February 2014);
- Internal regulations on the Companies' administrative responsibility (Legislative Decree no. 231/2001) supervised by the Supervisory Body assigned to the Board of Statutory Auditors;
- Provisions on "Transparency of operations and banking and financial services; regularity of the relationships between intermediaries and customers";
- Usury regulations (Law no. 108 of 7 March 1996);
- Measure containing implementing provisions with respect to customer due diligence (Article 7, paragraph 2, of Legislative Decree no. 231 of 21 November 2007);
- Regulations on the Mortgage Credit Directive (2014/17/EU and Legislative Decree no. 72/2016) on consumer credit agreements relating to residential real estate;
- Compound interests (Legislative Decree no. 385/93 - Consolidated Law on Banking", Article 120, par. 2) on the procedures and criteria for the production of interests in transactions put in place in the course of banking activities;
- Investment services and EMIR Regulation (Regulation (EU) no. 648/2012);
- Regulation governing transparency of financial information (Legislative Decree no. 195/2007 and Articles 154-bis and 154-ter of the Consolidated Law on Finance) - the Bank, issuer of securities listed on regulated European markets, maintained Italy as a member State of origin;
- Risk assets and conflicts of interest in respect of related parties (Bank of Italy Circular no. 263/2006, 9th update): the OPC Committee, appropriately established to express the relevant preventive opinions, expressed 3 non-negative opinions;
- Bank of Italy Circular no. 285/2013 – Title IV Chapter 4 "The information system": the bank's policy is to define an annual operating plan of the IT initiatives, which sets out the contents of the strategic plan in clear and practical actions; the Plan is approved by the Board of Directors on an annual basis as part of the RAF;
- Bank of Italy Circular no. 285/2013 – "The operational continuity": the Board of Directors examines on an annual basis the management of operational continuity in the event of an emergency, the adequacy tests of the continuity procedures and updates the related plan;
- Safety regulation (Legislative Decree no. 81/2008) – an assignment was conferred by the Bank relating to the PPSM function and the "employer" function was outsourced in accordance with Article 16 of Legislative Decree no. 81/2008;
- Internal system for reporting violations - Whistle-blowing (Legislative Decree 385/93 - Consolidated Law on Banking, articles 52-bis and 52-ter) set up on an independent and autonomous digital platform and such as to guarantee the confidentiality of the whistle-blower and of the alleged person responsible for the violation;
- MiFID 2 (Directive 2014/65/EU) and MiFIR (Regulation 600/2014/EU);
- European "BRRD" Directive on Recovery plans ("Bank Recovery and Resolution Directive" 2014/59/EU);
- European Directive on data protection and movement (Directive 2016/680/EU);
- Market abuse regulation (Regulation (EU) 596/2014);
- Guidance on the management of non-performing loans (NPL) for Italy's Less Significant institutions;
- Remuneration and incentive policies (Bank of Italy Circular 285/2013)
- Calendar provisioning (EU Regulation 2019/630);
- V Anti-Money Laundering Directive no. 2018/843 of the European Parliament and of the Council of 30 May 2018 on preventing the use of the financial system for money laundering purposes and terrorism financing (transposed into Italian law with Italian Legislative Decree 125/2019);
- Provisions on Product Oversight and Governance of banking products - POG

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES

(Legislative Decree 58/1998, Article 123-bis and "Supervisory Provisions Concerning Banks' Organisation and Corporate Governance" issued by the Bank of Italy on 4 March 2008)

Article 123-bis of the Consolidated Law on Finance specifies that the report on operations of companies issuing securities, admitted to trading on a regulated market, contains a specific section on corporate governance and ownership structures. Paragraph 5 of the same article allows companies not issuing shares that are admitted to trading on a regulated market or in multilateral trading systems, to omit the publication of information regarding paragraphs 1 and 2, excepting those of paragraph 2, letter b). As issuer of listed bonds, Mediocredito Trentino-Alto Adige S.p.A. falls within the bounds of paragraph 5 and, therefore, in line with the Bank's size and operational and organisational characteristics, provides the information required as per paragraph 2, letter b), regarding the main characteristics of the risk management and internal control systems in relation to the financial disclosure process. We want to stress that the Bank has a specific process in place for corporate governance whose review has implemented the new regulations introduced by the Bank of Italy Circular no. 285/2013 and, as far as the Bank is concerned, mainly refers to the criteria for the composition and self-assessment of the Administrative Board.
In more details, the project for corporate governance is based on the necessary statutory provisions and regulations and the drawing up of a "Corporate Governance Project" document, which is inspired by the traditional model of governance in function of reduced complexity and costs and organisational impacts related to it. In this "project" are established the rights of the shareholders, the proprietary structure, the statutory and internal regulations pertaining to the Board of Directors and the Board of Statutory Auditors, the System of Internal Controls and Risk Management, remuneration and compliance policies, the role of the Manager responsible for preparing the company's financial reports and the Organisational model as for Legislative Decree 231/2001.
The Bank has also enforced a prudent delegation system in order to encourage maximum involvement of the Board of Directors (Institution of strategic supervision) and of the Executive Committee in the operational management of the Bank.

a) "Corporate Governance Plan": information on the ownership structures.

INFORMATION ON OWNERSHIP STRUCTURES Pursuant to Article 123 bis of the Consolidated Law on Finance (TUF)		
1.	Share capital structure	Ordinary shares
2.	Restrictions on the transfer of securities	No
3.	Major shareholdings	Yes
4.	Securities giving special rights	No
5.	Employee equity participation: mechanism for exercising voting rights	No
6.	Restrictions on voting rights	No
7.	Shareholder agreements	Yes
8.	Appointment and replacement of the Directors and statutory amendments	Yes
9.	Delegations of powers to increase share capital and authorisations of share buyback	No
10.	Change-of-control clauses	No
11.	Indemnities for Directors in the case of resignation, dismissal or cessation of relations	No

b) Update and review of the internal regulations and the internal control and risk management system also with respect to the financial reporting process (paragraph 2, letter b) of Article 123-bis of Legislative Decree no. 58/1998)

With respect to the provisions of paragraph 2, letter b) of Article 123-bis of Legislative Decree 58/1998 (Consolidated Law on Finance), in which the Bank is required to document information regarding the main characteristics of existing risk management and internal control systems used in relation to the financial reporting process, the following is detailed.

The risk management and control system used in relation to the financial reporting process refers to administrative and accounting procedures (and to relative controls), which feed into/relate to the financial statements and fall under the competence of the manager in charge. The role of the manager in charge, jointly with the definition of the respective tasks, powers and means, is governed by the internal regulations of the Bank that has inserted this body in the wider system of internal controls in which other units of control and management operate in synergy, such as the Board of Statutory Auditors, the Internal Audit department, the Risks Committee, the Credit Risk Management Committee, the ALCO Committee, the Investment Committee, the Independent Directors Committee as well as the Compliance and Risk Management Functions.
In keeping with its own size and operational features, the Bank prepares and applies traditional administrative and accounting procedures that are deemed adequate for allowing the monitoring and mitigation of accounting risks, i.e. risks linked to specific events and transactions that could generate a mistake in accounting data from which accounting reports and financial statements originate. The integrated system of control functions (within which a significant portion of qualified and professionally trained personnel operates) and the presence of regulations and operating procedures provide an adequate safeguard for reaching the objectives of reliability and compliance of the financial disclosures.
In particular, the system in question is affected by a simple organisational Bank structure characterised by limited size and by territorial and economic sector concentration of the business: the organisational structure, in fact, makes provision for a substantial concentration of middle and back-office activity in the administrative area in which the monitoring and accounting control function operates, under the direction of the appointed manager. For key and non-key processes, this means a series of accounting and quality checks (adequately documented), arranging a sequence of functions (mostly automated) for the survey of accounting anomalies that are monitored on a daily basis and corrected in close partnership with the Planning and Control function, which operates with the respective systems for checking and viewing information. The monitoring function therefore prepares the appropriate documentation in support of the accounts and accounting entries at the time of preparation of the financial statements and report on operations, verifying that the information deriving from the other areas of the Bank (loans and legal) are appropriately validated by authorised managers. The same function routinely carries out control and validation activities on an ongoing basis, mostly on the key processes of disbursement, repayment and credit valuation within the finance department (liquidity, funding and derivatives). The activities of monitoring and control are shared by the manager in charge with the departments of Internal Auditing, Compliance and Risk Management along with the Board of Statutory Auditors. Finally, the General Management carries out the function of organisational intervention, arranging new control points or operational/functional strengthening where shortcomings are highlighted as part of the risk monitoring process. The formalisation and circulation of information relating to the controls carried out and to any shortcomings noticed is mostly concentrated (for reasons of operative efficiency in a small sized bank) in the Internal Auditing function.
Following the organisational and statutory adjustments linked to the appointment of the Manager in charge, in application of the Savings Law (Law no. 262/05), the Bank refers to the models generally recognised and accepted at international level (CoSO Framework and CObiT) for the design and ongoing review of the procedural and control structure.
With regard to the assessment of the adequacy of the information system, the IT Audit service is carried out by the internal control function, on the basis of notifications issued by the outsources with the application of analysis and assessment methods to the *CObiT* standard expressed by the International Association of *Information System Audits* The ICT risk assessment is carried out by the internal compliance function.

EXPECTED BUSINESS TREND AND R&D ACTIVITIES

The Economic Bulletin of the Bank of Italy[14] represents a scenario where the global economy is slowing down due to restrictive monetary policies and the deterioration of consumers and business confidence. The latter, in particular, is connected to the persistence of international political tensions linked to the Russian aggression against Ukraine and, most recently, to the conflict in the Middle East.

The slowdown in economic indicators point to a worsening of the international scenario and a slowdown in global demand, which, moreover, contributed to relatively moderate the price of energy raw materials. However, there are still strong risks associated with the evolution of the geopolitical context with an inflationary trend which, despite some downwards signs, remains at levels not yet in line with expectations, and central banks of the main advanced countries continuing to be very cautions in loosening their monetary policy. Therefore, international institutions anticipate a weakening of growth in the coming year.
In summary, the macroeconomic forecast indicators, which incorporate less robust expectations compared to those assumed in the formulation of the 2023-2025 business plan, are summarised below:

Macroeconomic projections for the Italian economy *(percentage changes on the previous year unless otherwise indicated)*[15]

	2022	2023	2024	2025
GDP	+3.9	+0.7	+0.6	+1.1
Household consumption	+5.0	+1.3	+0.9	+1.0
Investments in operating assets	+8.1	+3.6	-0.3	+1.2
Total exports	+10.7	+0.4	+2.4	+3.1
Total imports	+13.1	+1.1	+2.3	+3.1
Consumer prices (HICP)	+8.7	+6.1	+2.4	+1.9
Unemployment rate (*)	8.1	7.6	7.6	7.6
3-month Euribor rate (*)	0.3	3.4	3.6	3.1
Ten-year BTP (*)	3.2	4.4	5.1	5.3

(*) Annual average percentages

In this scenario, which is still complex and very uncertain, the 2024 budget envisages the development of loans due to further strengthening of growth in the property leasing segment, the implementation of disbursements on investment plans linked to the incentives of the FRI Turismo and more intense dynamics on project finance related to renewable energy and Public Private Partnership initiatives.
The performance in impaired loans - which have been continuously reducing for years now to almost organic levels - could experience a reverse in the event of further deterioration in the macroeconomic scenario. In spite of this, the first quarter of 2024 is also closing in a positive way in terms of the emergence of new impaired loans.
With regard to meeting financial requirements, a further strengthening of funding from private customers is expected, with the aim of improving the fund providers' composition and, consequently, containing liquidity risk and improving funding stability. Other channels concern funding through traditional links with the EIB for particularly innovative transactions of significant amount guaranteed by SACE, in addition to Cassa Depositi e Prestiti for funding targeted loans through the recent activation of new agreements.
On the other hand, the European bond issue program (Euro Medium Term Notes, EMTN), which does not allow effective market access with attractive cost profiles for the bank, will remain temporarily on stand-by.
The funding plan provides for the gradual repayment of the ECB's long-term exposure (TLTRO3) with quarterly tranches, already started in September 2023 and with possible acceleration given the Bank's good liquidity situation compared to what had been anticipated. This process will gradually make it possible to release a large part of the collateralised assets with very positive effects on the encumbrance ratio.

In terms of economic forecasts, without prejudice to what has already been highlighted in terms of the base scenario and assumptions, the annual budget envisages a decreasing net interest income, due to the greater funding burden with respect to the increase in market rates and spreads on lending activities.

14 Economic Bulletin, January 2024.
15 Economic Bulletin, October 2023.

Moreover, net interest and other banking income may be positively influenced by the combined effect of better revenues from services and the expected positive trend in dividend income from equity investments, as well as potential lower losses from the sale of securities in the treasury portfolio.
Operating costs are expected to increase, due to the effect of new investments in the banking information system and the strengthening of the organisational structure, while maintaining gross and net profitability for the year at historical levels will be linked to the credit risk cost. To date, the latter is not easily quantifiable, but the deterioration in the first part of 2024, as already highlighted, has had a very limited effect, considering the policies to strengthen provisions in recent years and the low decay rates, also after the depletion of positions characterised by moratoria following the pandemic.
From an organisational point of view, a general strengthening of the control functions and of the offices in support of the business is envisaged, in line with the Bank's operational developments, while the ongoing training and employee development work will continue.

With respect to the regulatory adjustments of the Legislator and the Supervisory Authority as well as to compliance measures in relation to the development of new products, the Bank will be committed to the following issues with the greatest impact:
- implementation of the phases, scheduled for 2024, of the ESG action plan, in compliance with the expectations of the Supervisory Body;
- completion of activities for the adaptation of the Control System, following the migration to the new banking information system and the related setting of control points at all levels accompanied by the integration and redefinition of internal regulations (reference policy and operating processes mapping) in order to incorporate the changes introduced by IT processes;
- changes to the Instructions for the identification of APRs pursuant to the usury law;
- new survey on outsourced company functions;
- provisions on recovery plans, in application of Delegated Regulation (EU) No. 348/2019 of the European Commission of 25 October 2018;
- updates to reports from banks and other supervised intermediaries.

PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT

The net profit the year 2023 amounted to €6,069,490.31.
Taking into account the guidelines in the business plan, the Bank's level of capitalisation and overall risk profiles as well as the uncertainties linked to the general economic and geopolitical context, the Board of Directors put forward the following allocation of the profit for the year.

Profit for the year	**6,069,490.31**
- non-distributable reserves under Article 6, paragraph 2 of Legislative Decree no. 38/2005 freed during the year	-
- allocation to non-distributable reserves under Article 6, paragraph 2 of Legislative Decree no. 38/2005	(214,299.85)
Distributable amount	**5,855,190.46**
- at the disposal of the Board of Directors for initiatives as per Article 21 of the By-laws	290,000.00
- dividend to distribute to shareholders (€0.024 for the 112,470,400 shares, which correspond to 4.615% of their nominal value)	2,699,289.60
- further allocation to the extraordinary reserve	2,865,900.86

In 2023, the Bank disposed of an equity investment held under the OCI option without recognition of gains/losses in the income statement; it is hereby proposed to allocate the loss deriving from this transaction, equal to €35,401.26, to the extraordinary reserve.

Net realised capital gains (losses) on equity securities	**(35,401.26)**
- capital gains	-
- capital losses	35,401.26

It is proposed to begin paying dividends starting from 13 May 2024.

In case of approval of the aforementioned distribution, the Company equity as at 31 December 2023 as specified above, is as follows:

- capital	58,484,608.00
- additional paid-in capital	29,841,458.06
- legal reserve	20,091,007.66
- statutory reserves	67,163,895.05
- valuation reserves	9,959,010.82
- OCI option reserves on disposal (without recycling)	-
- reserve from the reclassification of risk provisions	18,936,305.62
- reserve from the FTA as per Legislative Decree 38/2005	2,273,855.22
- reserve from the IFRS 9 FTA	(9,746,345.90)
- reserve under IAS 8	380,695.00
- non-distributable reserve under Article 6, paragraph 2 of Legislative Decree 38/2005	214,299.85
Total	**197,598,789.38**

CERTIFICATION PURSUANT TO ARTICLE 81-TER OF CONSOB ISSUERS' REGULATION

Certification of the Financial Statements pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999 and its subsequent amendments and additions.

1. The undersigned Stefano Mengoni, Chairman of the Board of Directors and Leo Nicolussi Paolaz, Manager responsible for preparing the Mediocredito Trentino-Alto Adige S.p.A.'s financial reports, in consideration of the requirements of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998 herewith attest to:
   - the adequacy in relation to the characteristics of the business and
   - the actual application

   of the administrative and accounting procedures for the preparation of financial statements during 2023.

2. No significant matters arose in this respect. It should be pointed out that the bank is now subject to the obligation pursuant to Article 154-bis of Legislative Decree 58/98 to establish the role of "Manager responsible for preparing the company's financial reports", given that the Bank, in the context of the issues of bonds on the Euromarket (EMTN Programme - *European Medium Term Notes Programme*) has issued bonds that are listed on the Luxembourg Stock Exchange by choosing Italy as member State of origin.
   The assessment of the administrative and accounting procedure for preparing the financial statements for the year ended 31 December 2023 has been based on procedures consistent with the reference standards adopted by the Bank for the internal control system.

3. It is also hereby certified that:
   3.1. the financial statements:
      a) have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union under EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
      b) correspond to the results of the books and accounting records;
      c) are suitable to provide a true and fair view of the statement of financial position, income statement and financial position of the Issuer;

   3.2. the report on operations includes a reliable analysis of the performance and the operating result as well as the position of the issuer together with a description of the main risks and uncertainties it is exposed to.

Trento, 14 March 2024

The Chairman of the Board of Directors	Manager responsible for preparing the company's financial reports
Stefano Mengoni	Leo Nicolussi Paolaz

INDEPENDENT AUDITORS' REPORT

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Mediocredito Trentino-Alto Adige S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Mediocredito Trentino-Alto Adige S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Mediocredito Trentino-Alto Adige S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the separate financial statements "Part B - Information on the statement of financial position - Assets": section 4 "Financial assets at amortised cost"

Notes to the separate financial statements "Part C - Information on the income statement": paragraph 8.1 "Net impairment losses for credit risk on financial assets at amortised cost: breakdown"

Notes to the separate financial statements "Part E - Information on risks and related hedging policies": section 1 "Credit risk"

Key audit matter	**Audit procedures addressing the key audit matter**
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €1,307 million at 31 December 2023, accounting for 76.9% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €0.3 million. For valuation purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, the borrower's estimated repayment ability, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under	Our audit procedures included: — gaining an understanding of the banks' processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; — assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; — analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); — analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein. We carried out these procedures with the assistance of experts of the KPMG network; — selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; — selecting a sample of exposures tested individually and checking the

Key audit matter	Audit procedures addressing the key audit matter
financial assets at amortised cost are a key audit matter.	reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; — analysing the significant changes in the financial asset categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments; — assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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Mediocredito Trentino-Alto Adige S.p.A.
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31 December 2023

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the bank's shareholders appointed us to perform the statutory audit of its separate financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

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Mediocredito Trentino-Alto Adige S.p.A.
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Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Verona, 2 April 2024

KPMG S.p.A.

(signed on the original)

Massimo Rossignoli
Director of Audit

BOARD OF STATUTORY AUDITORS' REPORT

(pursuant to the second paragraph of Article 2429 of the Italian Civil Code)

Dear Shareholders,

Mediocredito Trentino – Alto Adige S.p.A. prepared the annual report for the financial year 2023 in accordance with Legislative Decree No. 38 of 28 February 2005, adopting the international accounting standards outlined for drafting the individual annual report of listed companies and banks.
The 2023 annual report for your Bank is composed of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the financial statements. It is also accompanied by the report on operations of the Board of Directors.
Finally, the tables and the notes to the financial statements were prepared according to instructions issued by the Bank of Italy, as established under Circular no. 262 of 22 December 2005 and subsequent clarifications and updates. The Board of Directors forwarded the annual report to the Board of Statutory Auditors in a timely manner.
The Board of Statutory Auditors states that the Bank, as an Entity of Public Interest, is subject to external auditing according to Legislative Decree No. 39 of 27 January 2010, implementing Directive 2006/43/EC, by KPMG S.p.A. pursuant to Article 2409 bis et sequitur of the Italian Civil Code. This company has been entrusted with the task of auditing the annual report of the Bank for the nine-year period 2019-2027, under a resolution of the Shareholders' Meeting of 18 April 2019.

1. We have conducted our audit of the annual report in accordance with the code of conduct of the Board of Statutory Auditors as laid down by the National Institute of Certified Public Accountants and Bookkeepers and under said principles we referred to all the laws currently in force in Italy that regulate the annual report that now includes the new international accounting standards.
2. In the preparation of the annual report, the Board of Directors made no allowances for exceptions to the application of the new IAS/IFRS principles and therefore a "statement of conformity" is included in the general part of the notes to the financial statements.
3. The financial statements for 2023 are summarised as follows:

Statement of financial position				
Total assets			Euro	1,699,262,451.87
Payables and provisions	Euro	1,498,674,372.89		
Share capital and reserves	Euro	194,518,588.67	Euro	1,693,192,961.56
Profit for the year			Euro	6,069,490.31
Income statement				
Net interest and other banking income			Euro	21,687,006.11
Value adjustments			Euro	(329,673.23)
Operating costs			Euro	(12,924,294.45)
Revenues from equity investments, property, plant and equipment and intangible assets			Euro	214,299.85
Income taxes on current operations			Euro	(2,577,847.97)
Profit for the year			Euro	6,069,490.31

4. During the course of 2023, there were changes to the Bank's equity owing to:
   - the recognition of €5,742,667.47 in reserves of part of the profit for the year 2022 (portion not distributed);
   - the allocation to the extraordinary reserve of net profit from the sale of equity investments held under the OCI option, suspended in the realisation reserve, for a total of €46,536.74;
   - the recognition using the valuation reserves of a positive €5,692,533.15 due to the adjustment of the value of financial assets measured at fair value through other comprehensive income and defined benefit plans (actuarial gains/losses);
   - the recognition using the realisation reserves of a negative €35,401.26 deriving from the sale of equity investments held under the OCI option regime;
   - the allocation to the fund as per Article 21 of the By-laws of €300,000.00;

- as indicated above, a net profit of €6,069,490.31 was recognised for the year 2023.

Therefore, the Bank's equity as at 31 December 2023 amounted to €200,588,078.98, composed of:

- Share Capital - item 160:	€	58,484,608.00
- Additional paid-in capital – item 150:	€	29,841,458.06
- Reserves - item 140:	€	96,233,511.79
- Valuation Reserves – item 110:	€	9,959,010.82
- Profit for the year - item 180:	€	6,069,490.31

5. Own Funds as at 31 December 2023 were calculated applying the regulations introduced by Directive no. 2013/36/EU related to the prudential supervision of banks (CRD IV - known as Basel III).
The result achieved shows how, on the whole, own funds increased by €11,331,830.03 as at 31 December 2023, compared to 31 December 2022, therefore, standing at €194,225,730.87: the Total Capital Ratio as at 31 December 2023 stood at 24.86% compared to 24.41% in 2022. The Board of Statutory Auditors considers this equity adequate in terms of amount and quality, with respect to total risks assumed and suitable for allowing future growth of the Bank.
6. The Board of Statutory Auditors acknowledges the disclosures provided by the Board of Directors in relation to the adoption of the going concern assumption in preparing the financial statements, the illustration of risk measurement and management systems and the level of risk exposure, the testing of assets for impairment and uncertainties in the use of estimations of the values booked to the financial statements. More specifically, it verified that the method used for the valuation of financial assets is adequate in measuring the Bank's credit risk and that the loan adjustments coherently reflect the current risk with particular reference to the prospective effects of the current geopolitical situation. The Board of Statutory Auditors considers this disclosure and related processes adequate to the transparency needs, also in relation to the indications included in the documents issued by the Italian Supervisory Authorities.
In particular, the valuation process of financial assets, guarantees issued and commitments to disburse funds produced the following results in relation to the income statement:

	Adjust.	Write-backs	Net effect
Loans (analytical adjustments)	(12,360,691.30)	10,278,298.69	(2,082,392.61)
Loans (net collective adjustments)	-	1,511,419.82	1,511,419.82
HTC debt securities (analytical)	-	29,065.35	29,065.35
HTC debt securities (collective)	(67,367.43)	298,620.02	231,252.59
HTCS debt securities (collective)	(23,312.08)	-	(23,312.08)
Total item 130.	**(12,451,370.81)**	**12,117,403.88**	**(333,966.93)**
Profits/losses from contractual changes - item 140.	**-**	**4,293.70**	**4,293.70**
Other components of the reclassified financial statements:			
"Time reversal" write-backs - item 10	-	242,699.39	242,699.39
Adjustments to interest component - item 10	(48,543.86)	-	(48,536.86)
Net gains on the sale of loans and advances - item 100	-	95,000.00	95,000.00
Fair value change of investments in UCITS - item 110	(610,297.64)	839,619.77	229,322.13
Changes in fair value of FVTPL debt securities - item 110	(228.55)	76,068.75	75,840.20
Provisions for legal disputes on loans and advances - item 170.b	-	-	-
Provisions for commitments and guarantees issued - item 170.a	(93,255.74)	66,783.19	(26,472.55)
Value adjustments on equity investments - item 220.	-	214,299.85	214,299.85
Total	**(13,203,696.60)**	**13,656,168.53**	**452,471.93**

7. The Board of Statutory Auditors approved the criteria adopted for determining the amounts of IRES (Corporate income tax) and IRAP (Regional business tax) relating to the year in application of the current tax regulations. The Board of Statutory Auditors acknowledges that in compliance with the new rules, the financial statements show current and deferred taxes in relation to the temporary differences between the book value of an asset or liability and its value for tax purpose, as better explained in the notes to the financial statements.

8. In application of the reference regulations and provisions, the Bank has adopted regulations aimed at governing the investments held by banks, the risk assets and the conflicts of interest in respect of related parties (Bank of Italy Circular no. 285/13, Third Part, Chapter 1) as well as personal cross investments (known as interlocking prohibition to protect competition, pursuant to Article 36 of Law Decree no. 201/2011). The Board of Statutory Auditors considers the organisational and risk safeguards identified by the Bank to be appropriate.
9. In compliance with the Bank of Italy's provisions on business continuity and disaster recovery, the Bank punctually updated internal regulations and run functionality tests of disaster recovery with the outsourcer of the IT system managed by Allitude, which gave a positive outcome.
10. Information pursuant to Article 10 of Law no. 72/83 on the subject of monetary revaluation of property, plant and equipment is provided in the notes to financial statements relative to revalued assets.
11. During the year, the Board of Statutory Auditors, in fulfilment of its duties, controlled the Bank's administration in the year under review. In 2023, the Board of Auditors held 13 meetings and oversaw the observance of the laws and By-laws governing all Shareholders' and Board of Directors' meetings. The meetings were held in compliance with the statutory requirements, laws and regulations governing their operation. The Board of Statutory Auditors also verified that no imprudent or hazardous transactions were carried out, or transactions involving a potential conflict of interests, contrary to the resolutions passed by the Shareholders' Meeting, or which may compromise the integrity of the company's assets and minority rights.
    It also verified the correct application of the Bank of Italy Circular no. 285/2013 regarding corporate governance, with reference to the adequacy of the quali-quantitative composition of the company bodies, the self-assessment of the latter and public disclosure.
12. The Board of Statutory Auditors oversaw the adequacy of the organisational structure, limited to those aspects within its competence, of the internal control system and of the administrative-accounting system and the reliability of the latter in giving a true and fair view of the operations of the Bank. In this regard, pursuant to Article 81-ter of the Consob Issuers' Regulation, the Board of Statutory Auditors acknowledges the report prepared by the Manager responsible for preparing the company's financial reports, submitted to the Board of Directors on 14 March 2024 and attached to these Financial Statements.
    The Board of Statutory Auditors oversaw the observance of the Bank's sound management principles, also carrying out an assessment of the organisational system during the year under review, which was used by the offices in charge of monitoring credit, market, interest rate, liquidity, legal and compliance risks that are specific to banking activities. The Board of Statutory Auditors followed the ICAAP process in relation to risk control and management, which shows that the Company's capital is adequate even in a stress scenario; the ILAAP process, which points out the gradual reduction in the concentration of fund providers and sources of funding. It assessed regulatory compliance and consistency with the strategies and reference framework for the risk of the Restructuring Plan and of the Multi-annual plan for the management of NPLs.
    As Supervisory Body, it monitored the observance of the regulation pursuant to Legislative Decree no. 231/2001 regarding the administrative liability of legal entities and the anti-money-laundering regulation pursuant to Legislative Decree no. 231/2007.
    Lastly, it monitored compliance with the regulations governing professional services and investment activities with the public, and the overall adequacy of the controls of the risk of money laundering, for which no acts or events were highlighted, which came to light during the performance of their duties, which may represent a breach of the regulatory provisions.
    The Board of Statutory Auditors informs that the bank has been inspected by the Bank of Italy. The inspection lasted from 23 October 2023 to 22 December 2023 and, during the same, on a number of occasions, the Board of Statutory Auditors had the opportunity to meet the inspectors to discuss the various issues subject to analysis. In its final judgement, the inspection highlighted the need to strengthen internal controls and the organisational and IT structure, as well as to provide a set corporate governance structure, with consequent positive repercussions on the implementation of company strategies. Moreover, it reported a satisfactory financial profile and a not particularly high exposure to the remaining risks, including credit risk. At the date of preparation of this report, the company is preparing its corporate considerations in response to this evidence, to be submitted to the Supervisory Body by 26 April 2024.
13. In 2023 no complaints (reprehensible acts) were submitted to the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code.
14. The Board of Statutory Auditors has constantly kept in touch with the person in charge of external auditing, during which no relevant data or information came to light.
15. The report on operations that accompanies the financial statements is drafted in compliance with the current regulations. In the opinion of the Board of Statutory Auditors, the annual report under review

provides as a whole a correct representation of the statement of financial position, the financial situation, the equity situation and the economic result of the Bank for the year ended 31 December 2023 in compliance with the regulations governing the financial statements. This was illustrated in detail by the Board of Directors in the report on operations and in the notes to the financial statements, providing Shareholders and third parties with adequate information in relation to the Bank's transactions, including transactions with related parties. The Board of Statutory Auditors can also confirm that the annual report includes a description of the main risks and uncertainties to which the company is exposed. The report on operations by the Board of Directors includes all the main events that characterised the year and it focuses on expected business trends.

16. The Board of Statutory Auditors acknowledged the report of the independent auditors KPMG S.p.A. of 2 April 2024 for the financial statements as at 31 December 2023, which contains no significant observations. Based on the work done as independent auditors of the financial statements as at 31 December 2023, no elements have come to the attention of the auditors to date that suggests that there are significant deficiencies in the internal control system in relation to the financial reporting process as at said date.

Dear Shareholders,

As a result of the above and considering the information provided by the independent auditors KPMG S.p.A., the Board of Statutory Auditors states that there were no occurrences of infringements or non-compliance to the law and expresses its positive opinion to the approval of both the financial statements and the proposal for the allocation of the profit for the year expressed by the Board of Directors.
Finally, it also informs the Shareholders' Meeting, despite the costs relating to intangible assets recorded under assets in the accounts still not having been fully amortised, there are still ample reserves to cover the amount of these costs.

Trento, 2 April 2024

Patrick Bergmeister Chairman	Hildegard Oberleiter Standing auditor	Carlo Dellasega Standing auditor

COMPANY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION – ASSETS

	Assets	31/12/2023	31/12/2022
10.	CASH AND CASH EQUIVALENTS	48,802,802	38,216,511
20.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	22,216,278	20,094,378
	a) FINANCIAL ASSETS HELD FOR TRADING	2,057,997	2,062,405
	b) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	-	-
	c) OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE	20,158,281	18,031,973
30.	FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	245,480,188	154,465,463
40.	FINANCIAL ASSETS MEASURED AT AMORTISED COST	1,331,165,098	1,393,106,427
	a) LOANS AND ADVANCES TO BANKS	23,933,170	27,152,930
	b) LOANS AND ADVANCES TO CUSTOMERS	1,307,231,928	1,365,953,497
70.	EQUITY INVESTMENTS	550,000	335,700
80.	PROPERTY, PLANT AND EQUIPMENT	7,870,705	8,061,811
90.	INTANGIBLE ASSETS	23,142	48,297
	of which:		
	- goodwill	-	-
100.	TAX ASSETS	10,915,073	14,209,453
	(a) current	1,553,947	1,119,541
	(b) deferred	9,361,126	13,089,912
	pursuant to Law no. 214/2011	4,910,937	6,598,264
110.	NON-CURRENT ASSETS AND GROUPS OF ASSETS HELD FOR SALE	-	-
120.	OTHER ASSETS	32,239,166	23,618,273
	TOTAL ASSETS	**1,699,262,452**	**1,652,156,312**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded. The algebraic sum of discrepancies due to rounding off of income statement items, amounting to +€1, is recognised under "other assets".

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	Equity and liabilities	31/12/2023	31/12/2022
10.	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	1,472,978,637	1,440,116,073
	a) DUE TO BANKS	460,847,045	616,653,411
	b) DUE TO CUSTOMERS	874,987,960	566,372,663
	c) DEBT SECURITIES IN ISSUE	137,143,632	257,089,999
20.	FINANCIAL LIABILITIES HELD FOR TRADING	2,019,281	2,031,845
60.	TAX LIABILITIES	5,565,622	5,374,198
	(a) current	-	-
	(b) deferred	5,565,622	5,374,198
80.	OTHER LIABILITIES	14,228,505	11,746,806
90.	PROVISION FOR SEVERANCE INDEMNITIES	1,105,618	1,077,695
100.	PROVISIONS FOR RISKS AND CHARGES	2,776,710	2,648,238
	(a) commitments and guarantees issued	109,765	83,293
	(b) pension fund and similar provisions	-	-
	(c) other provisions	2,666,945	2,564,945
110.	VALUATION RESERVES	9,959,011	4,266,478
140.	RESERVES	96,233,512	90,526,246
150.	ADDITIONAL PAID-IN CAPITAL	29,841,458	29,841,458
160.	SHARE CAPITAL	58,484,608	58,484,608
180.	NET PROFIT (LOSS) FOR THE PERIOD (+/-)	6,069,490	6,042,667
	TOTAL EQUITY AND LIABILITIES	**1,699,262,452**	**1,652,156,312**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded. The algebraic sum of discrepancies due to rounding off in the income statement is equal to +€1, booked to "other liabilities".

INCOME STATEMENT

	Items	31/12/2023	31/12/2022
10	INTEREST INCOME AND SIMILAR REVENUES	58,264,290	30,017,629
	of which interest income calculated with the effective interest method	56,211,903	29,310,982
20	INTEREST EXPENSE AND SIMILAR CHARGES	(37,501,601)	(9,218,206)
30	**NET INTEREST INCOME**	**20,762,689**	**20,799,423**
40	FEE AND COMMISSION INCOME	2,345,012	2,335,100
50	FEE AND COMMISSION EXPENSE	(828,617)	(634,678)
60	**NET FEE AND COMMISSION INCOME (EXPENSE)**	**1,516,395**	**1,700,422**
70	DIVIDENDS AND SIMILAR INCOME	2,845,823	2,576,819
80	NET TRADING INCOME	140,086	12,136
100	GAINS (LOSSES) ON DISPOSAL OR REPURCHASE OF:	(3,883,149)	(894,899)
	a) financial assets measured at amortised cost	(2,418,471)	(378,731)
	b) financial assets measured at fair value through other comprehensive income	(1,464,678)	(427,359)
	c) financial liabilities	-	(88,810)
110	NET CHANGE IN OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	305,162	178,096
	a) financial assets and liabilities designated at fair value	-	-
	b) other financial assets mandatorily measured at fair value	305,162	178,096
120	**NET INTEREST AND OTHER BANKING INCOME**	**21,687,006**	**24,371,997**
130	NET ADJUSTMENTS DUE TO CREDIT RISK TO:	(333,967)	(3,493,019)
	a) financial assets measured at amortised cost	(310,655)	(3,481,950)
	b) financial assets measured at fair value through other comprehensive income	(23,312)	(11,069)
140	Profits/losses from contractual changes without derecognitions	4,294	18,384
150	**NET INCOME FROM FINANCIAL ACTIVITIES**	**21,357,333**	**20,897,362**
160	ADMINISTRATIVE COSTS:	(12,903,545)	(12,211,533)
	a) payroll	(7,867,956)	(7,453,692)
	b) other administrative costs	(5,035,589)	(4,757,841)
170	NET PROVISIONS FOR RISKS AND CHARGES	(385,848)	(345,649)
	a) commitments and guarantees issued	(26,473)	2,812
	b) other net accruals	(359,375)	(348,461)
180	NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT	(453,876)	(451,440)
190	NET ADJUSTMENTS TO INTANGIBLE ASSETS	(25,155)	(25,358)
200	OTHER OPERATING CHARGES/INCOME	844,129	650,136
210	**OPERATING COSTS**	**(12,924,295)**	**(12,383,844)**
220	PROFIT (LOSS) FROM EQUITY INVESTMENTS	214,300	-
250	GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS	-	235
260	**PROFIT (LOSS) ON CURRENT OPERATIONS BEFORE INCOME TAXES**	**8,647,338**	**8,513,753**
270	INCOME TAXES ON CURRENT OPERATIONS	(2,577,848)	(2,471,086)
280	**PROFIT (LOSS) FROM CURRENT OPERATIONS AFTER TAX**	**6,069,490**	**6,042,667**
290	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS AFTER TAX	**-**	**-**
300	**PROFIT (LOSS) FOR THE YEAR**	**6,069,490**	**6,042,667**

The Financial Statements were drawn up in Euro units with no decimal numbers as figures were previously rounded.

STATEMENT OF COMPREHENSIVE INCOME

Items		31/12/2023	31/12/2022
10.	NET PROFIT (LOSS) FOR THE PERIOD	**6,069,490**	**6,042,667**
Other income components net of taxes without reversal to income statement			
20.	EQUITY SECURITIES DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2,382,420	(3,540,283)
70.	DEFINED BENEFIT PLANS	(9,694)	97,035
Other income components net of taxes with reversal to income statement			
120.	CASH FLOW HEDGES	-	-
140	FINANCIAL ASSETS (OTHER THAN EQUITY SECURITIES) MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	3,284,406	(5,750,207)
170.	**TOTAL OTHER INCOME COMPONENTS NET OF TAXES**	**5,657,132**	**(9,193,454)**
180.	**COMPREHENSIVE INCOME (Item 10+170)**	**11,726,622**	**(3,150,787)**

STATEMENT OF CHANGES IN EQUITY 31/12/2022 - 31/12/2023

	Balance as at 31.12.2022	Changes in opening balance	Balance as at 1.1.2023	Allocation of the previous year's result: Reserves	Allocation of the previous year's result: Dividends and other allocations	Change for the year: Changes in reserves	Transaction booked to equity: Issue of new shares	Transaction booked to equity: Purchase of treasury	Transaction booked to equity: Extraordinary distribution of dividends	Transaction booked to equity: Change in equity instruments	Transaction booked to equity: Derivatives on treasury shares	Transaction booked to equity: Stock options	Comprehensive income 2023	Equity as at 31.12.2023
Share capital:	58,484,608		58,484,608											58,484,608
a) ordinary shares	58,484,608		58,484,608											58,484,608
b) other shares	-		-											-
Additional paid-in capital	29,841,458		29,841,458											29,841,458
Reserves:	90,526,246		90,526,246	5,742,667									-35,401	96,233,512
a) profit	90,526,246		90,526,246	5,742,667									-35,401	96,233,512
- legal reserve	20,091,008		20,091,008	-									-	20,091,008
- statutory reserves[16]	58,544,191		58,544,191	5,789,204									-	64,333,395
- other profit reserves[17]	11,891,047		11,891,047	-46,537									-35,401	11,809,109
b) other	-		-										-	-
Valuation reserves:	4,266,478		4,266,478										5,692,533	9,959,011
a) at FV through OCI	327,049		327,049										5,702,227	6,029,276
b) cash flow hedge	-		-										-	-
c) others	3,939,429		3,939,429										-9,694	3,929,736
- Severance indemnities	-378,903		-378,903										-9,694	-388,596
- property reval. Law no. 413/91	745,631		745,631										-	745,631
- property reval. Law no. 342/2000	3,572,701		3,572,701										-	3,572,701
Equity instruments														
Treasury shares														
Net profit (loss) for the period	6,042,667		6,042,667	-5,742,667	-300,000								6,069,490	6,069,490
Equity	**189,161,457**		**189,161,457**	**-**	**-300,000**								**11,726,622**	**200,588,079**

STATEMENT OF CHANGES IN EQUITY 31/12/2021 - 31/12/2022

	Balance as at 31.12.2021	Changes in opening balance	Balance as at 1.1.2022	Allocation of the previous year's result: Reserves	Allocation of the previous year's result: Dividends and other allocations	Change for the year: Changes in reserves	Transaction booked to equity: Issue of new shares	Transaction booked to equity: Purchase of treasury shares	Transaction booked to equity: Extraordinary distribution of dividends	Transaction booked to equity: Change in equity instruments	Transaction booked to equity: Derivatives on treasury shares	Transaction booked to equity: Stock options	Comprehensive income 2022	Equity as at 31.12.2022
Share capital:	58,484,608		58,484,608											58,484,608
a) ordinary shares	58,484,608		58,484,608											58,484,608
b) other shares	-		-											-
Additional paid-in capital	29,841,458		29,841,458											29,841,458
Reserves:	87,589,964		87,589,964	2,889,745									46,537	90,526,246
a) profit	87,589,964		87,589,964	2,889,745									46,537	90,526,246
- legal reserve	19,768,008		19,768,008	323,000									-	20,091,008
- statutory reserves[18]	55,763,526		55,763,526	2,780,665									-	58,544,191
- other profit reserves[19]	12,058,430		12,058,430	-213,920									46,537	11,891,047
b) other	-		-										-	-
Valuation reserves:	13,506,467		13,506,467										-9,239,991	4,266,478
a) at FV through OCI	9,664,074		9,664,074										-9,337,027	327,049
b) cash flow hedge	-		-										-	-
c) others	3,842,392		3,842,392										97,035	3,939,429
- Severance indemnities	-475,939		-475,939										97,035	-378,903
- property reval. Law no. 413/91	745,631		745,631										-	745,631
- property reval. Law no. 342/2000	3,572,701		3,572,701										-	3,572,701
Equity instruments	-		-											
Treasury shares	-		-											
Net profit (loss) for the period	6,471,387		6,471,387	-2,889,745	-3,581,642								6,042,667	6,042,667
Equity	**195,893,882**		**195,893,882**	**-**	**-3,581,642**								**-3,150,787**	**189,161,457**

16 The item includes the non-distributable reserve under Article 6, paragraph 2 of Legislative Decree no. 38/2005.

17 "Other profit reserves" include the reserve from the first-time adoption of IAS/IFRS (including therein provisions for general bank risks and loan risks) and the reserve from the first-time adoption of IFRS 9.

18 The item includes the non-distributable reserve under Article 6, paragraph 2 of Legislative Decree no. 38/2005.

19 "Other profit reserves" include the reserve from the first-time adoption of IAS/IFRS (including therein provisions for general bank risks and loan risks) and the reserve from the first-time adoption of IFRS 9.

CASH FLOW STATEMENT (INDIRECT METHOD)

A.	OPERATING ACTIVITIES	2023	2022
1.	**Operations**	**+9,207,473**	**+14,088,797**
-	profit (loss) for the year	+6,069,490	+6,042,667
-	capital gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value through profit or loss	-313,318	-183,734
-	capital gains/losses on hedging activities		
-	net adjustments due to credit risk	+4,407,250	+3,801,535
-	net adjustments/write-backs to property, plant and equipment and intangible assets	+479,031	+476,799
-	net provision for risks and charges and other costs/revenues	+42,932	+31,564
-	unpaid duties, taxes and tax credits	+2,577,848	+ 2,471,086
-	other adjustments	-4,055,760	+1,448,880
2.	**Cash flow generated/absorbed by financial assets**	**-45,230,331**	**+9,761,873**
-	financial assets held for trading	-	-
-	financial assets designated at fair value	-	-
-	other financial assets mandatorily measured at fair value	-1,821,146	-948,423
-	financial assets measured at fair value through other comprehensive income	-91,014,726	-62,252,489
-	financial assets measured at amortised cost	+56,218,553	+82,363,572
-	other assets	-8,613,012	-9,400,787
3.	**Cash flow generated/absorbed by financial liabilities**	**+46,931,394**	**-14,270,026**
-	financial liabilities measured at amortised cost	+38,164,870	-20,552,153
-	financial liabilities held for trading	-	-
-	financial liabilities designated at fair value	-	-
-	other liabilities	+8,766,524	+6,282,127
	Cash flow generated/absorbed by operating activities	**+10,908,536**	**+9,580,644**

B.	INVESTING ACTIVITY	2023	2022
1.	**Cash flow generated by**	**-**	**+235**
-	sale of equity investments	-	-
-	dividends from equity investments	-	-
-	sale of property, plant and equipment	-	+235
-	sale of intangible assets	-	-
-	sale of company divisions	-	-
2.	**Cash flow absorbed by**	**-22,243**	**-88,518**
-	purchase of equity investments	-	-
-	purchase of property, plant and equipment	-22,243	-88,518
-	purchase of intangible assets	-	-
-	purchase of company divisions	-	-
	Net cash flow generated/absorbed by operating activities	**-22,243**	**-88,283**

C.	FINANCING ACTIVITY	2023	2022
-	issue/purchase of treasury shares	-	-
-	issue/purchase of equity instruments	-	-
-	distribution of dividends and other objectives	-300,000	-3,581,642
	Net cash flow generated/absorbed by financing activities	**-300,000**	**-3,581,642**
	NET CASH FLOW GENERATED/ABSORBED DURING THE PERIOD **Errore. Il segnalibro non è definito.**	**+10,586,291**	**+5,910,718**

RECONCILIATION

Statement of financial position items	2023	2022
Cash and cash equivalent at the beginning of the period	**38,216,511**	**32,305,793**
Total net cash flow generated/absorbed during the period	+10,586,291	+5,910,718
Cash and cash equivalents: effect of changes in exchange rates	-	-
Cash and cash equivalents at the end of the year	**+48,802,802**	**+38,216,511**

NOTES TO THE FINANCIAL STATEMENTS

PART A ACCOUNTING POLICIES

A.1 GENERAL PART

SECTION 1 – STATEMENT OF COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS

The separate financial statements of Mediocredito Trentino-Alto Adige S.p.A. have been prepared in compliance with the applicable International Accounting Standards (IAS/IFRS) issued by the International Accounting Standards Board® and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission under EU regulation no. 1606/2002.
They were prepared according to instructions issued by the Bank of Italy in the exercise of its power, as these were established with Article 9 of Legislative Decree no. 38/2005, with Circular no. 262 of 22 December 2005 and subsequent amendments. The eighth update is currently in force, issued on 17 November 2022 and integrated with the Communication of 14 March 2023 of the Bank of Italy concerning the impacts of COVID-19 and the measures to support the economy.

SECTION 2 – GENERAL PRINCIPLES OF PREPARATION

General aspects

The financial statements comprise the Statement of financial position, the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Cash flow statement[20] and Notes to the financial statements. They are also accompanied by a Board of Directors' report on operations, the economic results and the Bank's financial position.
The financial statements are drawn up in Euro, while data in the Notes to the financial statements are expressed in thousands of Euro, based on the application of the general principles set forth by IAS 1: to this end, we refer to the prospective of the company as a going concern (par. 23), the accrual basis of accounting (par. 25 and 26), the consistency in the presentation and classification of items (par. 27), the relevance and aggregation of items, the prohibition regarding offsetting, comparative information as well as the specific accounting standards illustrated in Part A.2 in these Notes to the financial statements.
The Communication of 14 March 2023 of the Bank of Italy concerning the impacts of COVID-19 and the measures to support the economy was considered.
There were no departures from the application of the IAS/IFRS.
For completeness, with regard to the formats defined by the Bank of Italy, the Notes to the financial statements sometimes contain the titles for the sections that relate to the items that are not accompanied by an amount, either for the year the financial statements cover or for the previous year, whichever is deemed important for providing better information.

Going concern assumption

The international accounting standards - recalled by the coordination table with the Bank of Italy, Consob and Isvap joint coordination forum on applying IAS/IFRS with document no. 2 of 6 February 2009 "Disclosure in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties on the use of estimations", and also with document no. 4 of 3 March 2010 "Disclosure in financial reports on impairment test of assets, clauses in financial debt contracts, debt restructuring and on the «fair value hierarchy» - require Directors to make an especially accurate assessment of whether the going concern assumption is appropriate.
To this end, paragraphs 23-24 of IAS 1 state that: "When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements must be prepared on a going concern basis unless management either intend to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In making its assessment, when management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties must be disclosed. When financial statements are not prepared on a going concern basis, that fact must be disclosed together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern".
The economic growth forecast and the performance of financial markets, which are still uncertain in view of the geopolitical and conflict tensions between Russia and Ukraine and Israel/Palestine, still require very accurate assessments of the assumption of going concern.
Relating to this, the directors of Mediocredito Trentino-Alto Adige S.p.A., after examining the risks and uncertainties that are correlated to the current macroeconomic context, confirm that they are reasonably certain that the Company will continue its operational existence in the near future. Consequently, they have prepared the financial statements as at 31 December 2023 based on the going concern assumption.
They also confirm that they have not observed any symptom that might cast doubts on the ongoing concern assumption and the actual income generating capacity, either in the economic and financial structure or in the business trend.

SECTION 3 – EVENTS AFTER THE REPORTING DATE

In the period between 31 December 2023 and the date of approval of these financial statements, there were no new internal material events that have occurred such as to appreciably impinge on the Bank's activities, economic results and portfolio risk level. However, it should be noted that the evolution of current geopolitical events as well as the dynamics of inflation and credit market rates may, in the near future, explain a further slowdown in the economy and in the financial and economic situation of the banking system and therefore

20 The cash flow statement is drawn up by applying the "indirect" method on the basis of which the cash flows from operating activities are represented by the result for the year adjusted for the effects of non-monetary transactions. The cash flows are subdivided into those deriving from operating, investing and financing activities.

also of the Bank. These effects may not yet be estimated from a quantitative point of view, but the Bank is monitoring the customer portfolio components that are more vulnerable to the current critical issues.
Following the inspection by the Bank of Italy in the last quarter of 2023, it should be noted that the final report was submitted to the Board of Directors at the meeting of 26 February 2024: while not identifying any regulatory compliance issues, the Supervisory Body highlighted the need to strengthen some organisational aspects in terms of internal controls, of the information system as well as of the system for monitoring operational risks. Moreover, it confirmed the satisfactory financial profile and the not particularly high exposure to the remaining risks: in particular, with reference to credit risk, the Bank of Italy considered it to be "limited" thanks to prudent disbursement policies and conservative normal valuation practices. In coordination with the relevant functions and with the Directors, the Management is implementing an action plan aimed at adapting the organisational structure, procedures and internal regulations.
For other information, please refer to the introductory chapter "The Bank in 2023 and business outlook".

SECTION 4 – OTHER ASPECTS

Parent company

Exemption from the obligation to prepare consolidated financial statements: the Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (financial statements assets as at 31 December 2023 of €8.0m) is not deemed significant to the improvement of the disclosures provided *(IAS 8 and paragraphs 26, 29, 30 and 44 of the "Systematic Framework for the Preparation and Presentation of Financial Statements" or "Framework").* The subsidiary owns buildings, whose value, appropriately estimated, corresponds to market values and the equity investment is booked in the financial statements of the Bank at equity.

Auditing

The Bank as an Entity of Public Interest is subject to statutory auditing according to Legislative Decree No. 39 of 27 January 2010, in implementation of directive 2006/43/EC, and the appointed auditing company is KPMG S.p.A. Said company had been entrusted with the task of auditing the financial statements of the Bank for the nine-year period 2019-2027, by means of resolution of the Shareholders' Meeting of 18 April 2019.
Pursuant to Article 2427, paragraph 1, 16-*bis*, the agreed fees for 2023 are indicated below:

- Statutory audit of annual accounts (including limited audit of the condensed half-yearly financial statements): €52,631 plus VAT, including expenses and Consob contribution up to 10% of the fees;
- National guarantee fund: €608 plus VAT.

Unusual items

During the year, no unusual items were recognised which – due to their nature, extent or effect – affected assets, liabilities, equity, net income or financial flows.

Risk and uncertainties due to the use of estimates

The Bank has completed the estimation processes that support the book value of the most significant valuation-related items booked to the financial statements as at 31 December 2023, as set out in the current accounting standards and reference regulations. These processes are largely based on the estimated future possible recovery concerning the values recorded in the financial statements in accordance with the rules laid down by the current regulations and are carried out based on the going concern assumption, i.e. leaving aside hypotheses regarding forced liquidation of the items being measured. For this information we refer you to the report on operations and the Notes to the financial statements, Part E.
The checks carried out by internal operational and control functions as well as the control body support the book values of the items mentioned as at 31 December 2023.

Changes in accounting estimates

During the year, the Bank did not make any changes in accounting estimates.

Disclosure pursuant to paragraphs 125, 126 et sequitur of Law no. 124/2017.

With reference to the disclosure pursuant to paragraphs 125, 126 et seq. of Italian Law 124/2017, in 2023 the Bank received:

- a contribution for sports sponsorships disbursed in 2021 for €23,319.67, used as offsetting on F24 on 16 June 2023;
- contributions for the increase in electricity and gas costs for €2,693.21 and €2,396.29 respectively, used to offset on F24 on 16 June 2023 for €2,693.21 and € 2,396.29 respectively and on 16 September 2023 for €507.92 and €174.66;
- a contribution for interventions in support of cultural initiatives (Artbonus) for €9,750.00, usable as offsetting starting from 2024 (first portion of three, equal to €3,250.00, used on 16 February 2024);

Apart from the above, it did not receive any other grants, contributions, paid assignments or economic benefits of any kind from public administrations or companies directly or indirectly controlled or invested in by the same.
The guarantee granted on behalf of the Bank and in favour of the EIB by the Autonomous Region of Trentino-South Tyrol (shareholder of the bank) is remunerated at market price and do not constitute State aid.
Note that, in compliance with the provisions laid down for the compilation of this disclosure, transactions carried out with Central Banks for financial stability purposes or transactions designed to facilitate the transmission mechanism of monetary policy are excluded.

Disclosure required by IFRS 7 related to the interest rate benchmark reform

On 15 January 2020, Regulation (EU) no. 34, which endorsed the amendments to IFRS 9, IAS 39 and IFRS 7, was issued by the IASB on 26 September 2019, as part of the project for the "Interest rate benchmark reform". The aforementioned amendments are aimed at seeking solutions to reduce the effects on the financial statements of the interest rate reform, with particular reference to the potential impacts before the replacement of the benchmarks.
In this regard, please note that the Bank does not have any hedging transactions in place and therefore does not apply the exceptions set forth in paragraphs 6.8.4 - 6.8.12 of IFRS 9, or paragraphs 102D – 102N of IAS 39.

Risks, uncertainties and impacts of the COVID-19 epidemic

The Bank believes that the Covid-19 epidemic, which has now become endemic but less infectious, no longer has a substantial impact on the real economy and, in particular, on its activities.

Disclosure regarding Targeted Longer-Term Refinancing Operations (TLTRO-III)

On 9 February 2021, ESMA submitted a question to the IFRS Interpretations Committee (IFRS-IC) regarding the accounting methods for TLTRO-III (Targeted Longer-Term Refinancing Operations) transactions with particular reference to the following aspects:
- applicability to the transactions in question of IFRS 9 or IAS 20,
- interest accounting methods in the "special interest period"; and
- accounting treatment of estimate changes (both as a result of contractual changes and in relation to the achievement of benchmarks that allow to benefit from improved rates)

on which the IFRS-IC has not yet given a definitive opinion.
For the purpose of preparation of the financial statements, in consideration of the lack of precise and definitive indications from the Regulators regarding the accounting of TLTRO-III transactions, the praxis used to date has continued to be used, considering that such transactions cannot be compared to loans at an interest rate lower than the market rate, as there is no reference market where financing transactions with comparable characteristics can be negotiated and as the ECB defines the economic conditions applied to the refinancing operations in order to achieve monetary policy objectives for the benefit of the entire economic system of the Eurozone.

As at 31 December 2023, the Bank had a refinancing transaction in place through the Eurosystem linked to the TLTRO-III program for a book value of €355.2m. This transaction resulted in a negative contribution to the net interest income of €15.452m during the year.
Taking into account the internal rate of return calculated as at 31 December 2022, the changes in the ECB rate on FDs occurring after that date and until 31 December 2023 and of the partial repayment made during the year, the financial draft was recognised at amortised cost on the basis of the following IRRs:
- +1.860% from 1 January 2023 to 8 February 2023;
- +2.357% from 8 February 2023 to 22 March 2023;
- +2.849% from 22 March 2023 to 10 May 2023;
- +3.097% from 10 May 2023 to 21 June 2023;
- +3.343% from 21 June 2023 to 2 August 2023;
- +3.590% from 2 August 2023 to 20 September 2023;
- +3.837% from 20 September 2023 to 27 September 2023;
- +3.815% from 27 September 2023 to 20 December 2023;
- +3.777% from 20 December 2023 to 31 December 2023.

A.2 ILLUSTRATION OF THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

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

1.1 Classification criteria

This category includes financial assets other than those recognised as Financial assets measured at fair value through other comprehensive income and Financial assets measured at amortised cost. In particular, the item includes:
- financial assets held for trading, mainly represented by debt and equity securities and by the positive value of derivative contracts held for trading as well as derivative instruments with a positive fair value that are related to assets or liabilities measured at fair value;
- other financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost or at fair value through other comprehensive income. These are financial assets whose contractual terms do not exclusively envisage capital repayments and interest payments on the amount of capital to be repaid (known as "SPPI test" not passed) or that are not held within the framework of a business model whose objective is the possession of assets aimed at collecting contractual financial flows ("Hold to Collect" Business model) or whose objective is achieved both through the collection of contractual financial flows and through the sale of financial assets ("Hold to Collect and Sell" Business model);
- financial assets designated at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as measured at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

Therefore, this item includes:
- debt securities and loans that are included in an Other/Trading business model (therefore not attributable to the "Hold to Collect" or "Hold to Collect and Sell" business models) or that do not pass the SPPI test, including the portions of syndicated loans subscribed that, from the outset, are intended for sale and are not attributable to a Hold to Collect and Sell Business model;
- equity instruments that do not qualify as establishing control or joint control over or association with companies and held for trading or for which the option to be designated at fair value through other comprehensive income was not exercised;
- investments in UCITS.

The item also includes derivative contracts, recorded under financial assets held for trading, which are represented as assets if the fair value is positive and as liabilities if the fair value is negative. Positive and negative current values deriving from transactions in place with the same counterparty can be offset only if there is a current legal right to offset the recognised amounts and the intention is to settle the positions to be offset on a net basis.
Derivative contracts also include those embedded in combined financial contracts - in which the host contract is a financial liability - which have been recognised separately because:
- their economic characteristics and risks are not closely related to the characteristics of the underlying contract;
- embedded derivatives, even if separate, meet the definition of a derivative;

- the hybrid instruments to which they belong are not measured at fair value with the related changes recognised in the Income Statement.

According to the general rules envisaged by IFRS 9 on 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 permitted unless the entity modifies 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 measured at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

1.2 Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity securities, on the disbursement date for loans and on the subscription date for derivative contracts.
Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

1.3 Measurement criteria

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, values posted in recent comparable transactions, etc. For equity securities and derivative instruments regarding equity securities, not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above, or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.
For further information on the criteria for determining fair value, please refer to section "A.4 Fair value disclosure" in Part A of the Notes to the Financial Statements.

1.4 Derecognition criteria

Financial assets are derecognised only when the transfer resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above mentioned flows without significant delay.

1.5 Income component recognition criteria

Interest income on securities and differentials and spreads on derivative contracts classified to this category, but which are linked to other assets/liabilities measured at fair value for management purposes, are recognised on an accrual basis to the income statement items for interest, accounting for any commissions (up-front fees) paid or collected early in a lump-sum.
Profits and losses realised on the disposal or redemption and unrealised profits and losses on changes in the fair value of the trading portfolio are classified to item "80 Net trading income", except for the share relative to derivative contracts that are linked to assets or liabilities measured at fair value for management purposes, which are entered to item "110 Net income/loss from financial assets and liabilities measured at fair value through profit or loss".

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

2.1 Classification criteria

This category includes financial assets that meet both of 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 sale ("Hold to Collect and Sell" Business model), and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as "SPPI test" passed).

The item also includes capital instruments, not held for trading, for which the option to be designated at fair value through other comprehensive income was exercised at the time of initial recognition.
In particular, this item includes:
- debt securities that are part of a Hold to Collect and Sell business model and passed the SPPI test;
- equity investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option to be designated at fair value through other comprehensive income was exercised;
- loans that are attributable to a Hold to Collect and Sell business model and passed the SPPI test, including the portions of syndicated loans subscribed that, from the outset, are intended for sale and are not attributable to a Hold to Collect and Sell business model.

According to the general rules envisaged by IFRS 9 on 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 permitted unless the entity modifies 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 measured at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets measured at amortised cost or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to profit (loss) for the year.
For further information on the classification criteria of financial instruments, refer to the following chapter "Classification criteria of financial assets".

2.2 Recognition criteria

Upon initial recognition, assets in this category are entered at cost, which is defined as the fair value of the instrument, including transaction costs and income directly attributable to the instrument. If recognition occurs subsequent to reclassification from Assets at amortised cost, the value of initial recognition is equal to the fair value at the time of transfer.

2.3 Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income are measured at fair value determined on the basis of the criteria already illustrated for Financial assets measured at fair value through profit or loss.
For equity securities included in this category not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case of non-applicability of all the measurement methods mentioned above, or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.
For further information on the criteria for determining fair value, please refer to section "A.4 Fair value disclosure" in Part A of the Notes to the Financial Statements.
Financial assets measured at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to checking the significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.
Vice versa, equity securities are not subject to impairment.
For further details, refer to the next chapter "Impairment of financial assets".

2.4 Derecognition criteria

Financial assets are derecognised only when the transfer resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above mentioned flows without significant delay.

2.5 Income component recognition criteria

Debt securities

Interest income, calculated according to the effective interest rate method, is entered to item 10. "interest income and similar revenues" whereas valuation profit and loss, with the exception of impairment profit and loss, are recognised, net of any tax effect, in item 110. of shareholders' equity "Valuation reserves".
If the financial asset is derecognised (transferred), the cumulative gain or loss previously recognised in the reserve is reclassified to the income statement (item 100.b "Gains (losses) on disposal or repurchase of financial assets measured at fair value through other comprehensive income").
Impairment profit and losses are recognised in item 130.b "Net adjustments due to credit risk to financial assets measured at fair value through other comprehensive income"; however, the provision to cover losses must be recognised in other comprehensive income (item 110. of shareholders' equity "Valuation reserves") and must not reduce the book value of the financial asset in the asset side of the statement of financial position.

Equity securities

Dividends are entered to item 70. "dividends and similar income" whereas valuation profit and loss, including impairment profit and loss, are recognised, net of any tax effect, in item 110. of shareholders' equity "Valuation reserves".
If the financial asset is derecognised (transferred), the cumulative profit or loss previously recognised in the reserve must not be reclassified to the income statement, although the Bank may transfer these amounts to shareholders' equity (item 140. "Reserves").

SECTION 3. FINANCIAL ASSETS MEASURED AT AMORTISED COST

3.1 Classification criteria

This category includes financial assets (in particular, loans and debt securities) that meet both of 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 ("Hold to Collect" Business model), and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (known as "SPPI test" passed).

More specifically, this item includes:
- loans with banks in different technical forms meeting the requirements set out in the previous paragraph;
- loans with customers in different technical forms meeting the requirements set out in the previous paragraph;
- debt securities meeting the requirements set out in the previous paragraph.

This category also includes operating loans related to the provision of financial activities and services as established by the Consolidated Law on Banking (TUB) and the Consolidated Law on Finance (TUF) (for example for the distribution of financial products and servicing activities).
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies 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 measured at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets measured at fair value through other comprehensive or Financial assets measured at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of a financial asset and its fair value are recognised in the income statement in the event of reclassification as a financial asset measured at fair value through profit or loss and equity, in the specific valuation reserve, in the event of reclassification as a financial asset measured at fair value through other comprehensive income.
Loans generated by finance lease transactions are included.

3.2 Recognition criteria

If the asset is entered to this category upon reclassification from "financial assets measured at fair value through other comprehensive income", the amount of the previously accumulated valuation reserve is eliminated from shareholders' equity, reducing the fair value of the asset at the reclassification date; consequently, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. Moreover, with the same adjustment for credit risk, it is necessary to recognise a provision to cover losses as an adjustment to the gross book value of the financial asset from the reclassification date.

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.
In particular, with regard to loans, the date of disbursement normally coincides with the date of signing of the agreement. If such a coincidence does not occur, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.
Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

3.3 Measurement criteria

Subsequent to initial recognition, financial assets in question are measured at amortised cost using the effective interest rate method, adjusted by any provision to cover losses. The effective interest rate is the rate that exactly discounts estimated future cash flows of the asset (principal and interest) to the amount disbursed including costs/income related to the financial asset itself. This accounting method, which is based on a financial approach, allows the economic impact of costs/income directly attributable to a financial asset to be distributed throughout its expected residual life.
The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.
The measurement criteria, as better described in the chapter on "Impairment of financial assets", are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (stage 3) includes impaired financial assets and the remaining (stages 1 and 2) performing financial assets.
With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:
- upon initial recognition, for an amount equal to the 12-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for losses expected in the following twelve months;
- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where – after a significant increase in credit risk since initial recognition – the "significance" of this increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a 12-month expected credit loss.

If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD), derived from AIRB models and properly adjusted to take account of the provisions of IFRS 9.
If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the income statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore,

analytically applied to each position and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.
Impaired assets include financial instruments that have been granted the status of doubtful, unlikely to pay or past due by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.
The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.
The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.
If the reasons for the loss of value no longer apply as a result of an event that occurs after impairment has been recorded, write-backs are carried out and entered to the income statement. The amount of write-backs may not exceed the amortised cost that the instrument would have had in the absence of previous adjustments.
Value readjustments related to the passage of time are recognised in net interest income.
In some cases, during the life of the financial assets in question and, in particular, of loans, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to check whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements (derecognition) and a new financial instrument must be recognised.
In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be subject to qualitative and quantitative considerations. In fact, in some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and check the need to derecognise or not the asset and the recognition of a new financial instrument.
Therefore, qualitative and quantitative analyses aimed at defining the "substantiality" of the contractual changes made to a financial asset, will have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:
  - the first, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. This case study includes all the renegotiation operations that are aimed at adjusting the cost of the debt to market conditions. These transactions involve a change in the original terms of the contract, usually requested by the debtor, which concerns aspects related to the cost of the debt, with a consequent economic benefit for the debtor. In general, it is considered that whenever a bank renegotiates in order to avoid losing its customer, such renegotiation should be considered as substantial in that, if it is not renegotiated, the customer could finance itself from another intermediary and the bank would suffer a decrease in expected future revenues;
  - or the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for what will be said below on the subject of objective elements), is that made through "modification accounting" - that implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate - and not through "derecognition";
- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

3.4 Derecognition criteria

Financial assets are derecognised only when the transfer resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Finally, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out to other third parties the above mentioned flows without significant delay.

3.5 Income component recognition criteria

Interest income on loans and securities is entered to item 10. "interest income and similar revenues".
Profits and losses on the disposal of loans and securities are entered to item 100. "Gains (losses) on disposal or repurchase of financial assets measured at amortised cost". Impairment losses and value readjustments to loans and securities are entered to item 130. "Net adjustments due to credit risk to financial assets measured at amortised cost".

SECTION 4. HEDGING TRANSACTIONS

The Bank avails itself of the possibility, at the time of introduction of IFRS 9, of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved out version approved by the European Commission) for each type of hedge (both for specific hedges and for macro hedges).

4.1 Classification criteria

The purpose of hedging operations is to neutralise potential losses that may be incurred on a certain element or group of elements and is attributable to a certain risk by means of profits earned on a different element or group of elements in the event that the risk in question should actually present itself.
A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged element is formally documented, if it is effective when hedging begins, and, prospectively, over the entire life of the hedge.
Consequently, it becomes necessary to verify that the hedge of the derivative instrument is highly effective in offsetting changes in the fair value or expected cash flows of the hedged element both at the beginning of the operation and throughout its duration.

The effectiveness of the hedge depends on the extent to which changes in the fair value of the hedged instrument and the relative expected cash flows are offset by the respective values of the hedging instrument. Effectiveness may therefore be evaluated by comparing the above-mentioned changes, while taking into account the aim pursued by the company when the hedge was created. A hedge is considered effective (within the limits set by the interval 80-125%) if the changes in the fair value of the hedging instrument almost completely neutralise the changes in the hedged instrument for each risk element hedged against.
Given the Group's decision to continue to apply IAS 39 in full to hedging transactions, it is not possible to designate equity securities classified as Financial assets measured at fair value through other comprehensive income (FVOCI) as hedged items for price or foreign exchange risk, since these instruments do not impact the income statement, even in the event of a sale (except for dividends that are recognised in the income statement).

4.2 Recognition criteria

There are two types of hedges:

- fair value hedges, which aim to cover the exposure to changes in the fair value of hedged assets or liabilities attributable to a specific risk. This type of hedge may be used to hedge against market risks inherent in fixed-rate bond issues;
- cash flow hedges, which aim to cover the exposure to the risk of changes in the expected future cash flows attributable to specific risks associated with items on the financial statements. This type of hedge is specifically used to stabilise floating-rate interest flows on deposits.

The items, “Hedging derivatives” under assets (Item 80.) and liabilities (Item 60.) of the statement of financial position correspond to the positive and negative values, respectively, of derivatives that are part of effective hedges.

4.3 Measurement criteria

Hedging derivatives are measured at fair value, specifically:

- in fair value hedges, the change in the fair value of the hedged element is offset by the change in the fair value of the hedging instrument. This offset is recognised by entering the changes in value in both the hedged element (as regards changes produced by the underlying risk factor) and the hedging instrument to the income statement. Any difference, which represents the partial ineffectiveness of the hedge, is consequently considered the net economic effect;
- in cash flow hedges, the hedged item continues to be measured according to the original method, whereas changes in the fair value of the derivative are entered to equity for the effective portion of the hedge, and to the income statement, for the ineffective portion of the hedge.

The effectiveness of hedges is verified at the outset and when the financial statements for the period are prepared. If a hedge ceases to be effective, the related derivative contracts are classified as instruments held for trading and entered to Item 20. “Financial assets held for trading” or Item 40. “Financial liabilities held for trading”, whereas changes in fair value are entered to Item 80. of the income statement “Net trading income”. The hedged financial instrument is measured according to the method used for the category in which it is classified.

4.4 Derecognition criteria

Hedged financial assets and liabilities are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets/liabilities are disposed of with a substantial transfer of the relative risks and rewards. Furthermore, operations cease to be regarded as hedges and be accounted for accordingly if the hedge carried out through the derivative ceases or is no longer highly effective, or if the derivative expires, is sold, rescinded or exercised, or the hedged element is sold, expires or redeemed.

4.5 Income component recognition criteria

Income components are allocated to the relative items on the income statement according to the following indications:

- Accrued differentials on derivative instruments hedging against the interest rate risk (as well as interest on the hedged positions) are allocated to item 10. “Interest income and similar revenues” or 20. “Interest expense and similar charges”;
- Capital gains and losses on the valuation of hedging derivatives and the positions covered by fair value hedges (which may be attributed to the risk covered) are allocated to item 90. “Net hedging gains (losses)”.
- Capital gains and losses deriving from the valuation of derivative instruments used in cash flow hedges (for the effective portion) are allocated to a specific valuation reserve (item 130. “Valuation reserve”) in equity, net of the deferred tax effect. The ineffective portion of said capital gains and losses is entered to item 90. “Net hedging gains (losses)” of the income statement.

SECTION 5. EQUITY INVESTMENTS

5.1 Classification criteria

According to IAS, the item “Equity investments” includes equity investments in subsidiaries, affiliates and jointly-controlled companies.
Subsidiaries are defined as companies for which more than half the voting rights are held either directly or indirectly, unless it may be shown that the possession thereof does not constitute control; control is defined as wielding the power to determine financial and management policies.
Jointly-controlled companies are defined as those for which control is shared with other parties according to a contract. Affiliates are defined as companies, for which at least 20% of voting rights are held either directly or indirectly, or over which significant influence is possessed despite holding a lesser share of voting rights; significant influence is defined as the power to participate in determining financial and management policies, without having control or joint control.
Certain equity investments of more than 20%, in which the Bank only holds rights over a portion of the returns on investment, do not have access to management policies and can exercise limited governance rights to safeguard its economic interests, are not considered to be subject to significant influence. The remaining equity investments, i.e. not in subsidiaries and affiliates, are classified as financial assets (FVTPL or FVTOCI) and treated accordingly.

5.2 Recognition criteria

Equity investments are entered at cost, including accessory charges, when acquired.

5.3 Measurement criteria

Subsidiaries and affiliates are measured according to the equity method and the impact thereof is entered to the income statement: according to this method, equity investments are initially entered at cost and the book value is increased or decreased to account for the Bank's share in the investee company's profits or losses realised after the date of acquisition. The Bank's share of the investee's profits for the year is entered to the income statement. Dividends received from an investee are entered against the book value of the equity investment. It may become necessary to make adjustments to the book value of equity investments when the share of the Bank's interest in an affiliate is modified.
If there is evidence that the value of an equity investment may have decreased, an estimate of the recovery value of the equity investment is made. If the recovery value is less than the book value, the relative difference is entered to item 220. "Profit (loss) from equity investments". This item also includes any future write-backs where the reasons for the previous write-downs no longer apply.

5.4 Derecognition criteria

Equity investments are derecognised when the contractual rights to cash flows deriving from the assets expire, or when the financial assets are disposed of with a substantial transfer of the relative risks and benefits.

5.5 Income component recognition criteria

Profits and losses realised by investee companies, impairment losses and the effects of measurement according to the equity method are allocated in the income statement to item 220. "Profit (loss) from equity investments", whereas dividends collected are entered against the book value of the equity investments.

SECTION 6 – PROPERTY, PLANT AND EQUIPMENT

6.1 Classification criteria

Property, plant and equipment include land, instrument real estate, real estate investments, plant, fixtures and furnishings, and all types of equipment. This category consists of property, plant and equipment held for use in the production or provision of goods and services, to be leased to third parties, or for administrative purposes, and which are believed likely to be used for more than one accounting period. Rights of use acquired under leases and relating to the use of property, plant and equipment are also included.

6.2 Recognition criteria

Property, plant and equipment are initially entered at cost, which includes the price of purchase and any accessory charges that may be directly attributed to the acquisition and commissioning of the assets.
Extraordinary maintenance expenses that entail increase in the future economic benefits of the asset are added to the book value of the asset, whereas other ordinary maintenance costs are entered to the income statement.
Leases, in accordance with IFRS 16, are recognised based on the right-of-use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor to offset its right to use the underlying asset during the lease term.
When the asset is made available to the lessee for use (starting date), the lessee recognises both the liability and the asset consisting of the right of use.

6.3 Measurement criteria

Property, plant and equipment, including non-instrumental real estate, are measured at cost, once any depreciation and impairment have been deducted. Upon first application, real estate is entered at cost, which is defined as past book value adjusted accordingly to specific monetary revaluation laws.
Property, plant and equipment are systematically depreciated on a straight-line basis over their useful life. The buildings are depreciated for a portion considered adequate to represent the depreciation of the assets over time following their use, taking into account the extraordinary maintenance expenses, which are added to the value of the assets. Land is not depreciated and is entered separately even when acquired with annexed buildings.
IAS 16 does not provide for depreciation:

- depreciation of land since land is an asset with an indefinite useful life; for fully owned properties (from the ground up), this has led to the need to separate the value of land from the annexed buildings by commissioning an expert appraisal;
- the valuable artistic heritage, the other historical, artistic and decorative assets in that their useful life cannot be estimated and their value is normally destined to increase over time;
- investment properties that, as required by IAS 40, are measured at fair value with contra-entry to the income statement and therefore must not be depreciated.

If there is any evidence that shows that a property, plant and equipment measured at cost has undergone impairment, its book value is compared with its recovery value. Any adjustments are entered to the income statement. If the reasons that led to the recording of the loss cease to exist, a value re-adjustment is made, the amount of which may not exceed the value that the asset would have had, net of depreciation calculated in the absence of previous impairment. Property, plant and equipment recognised in accordance with IAS 2 are measured at the lower of cost and net realisable value, it being understood that a comparison is made between the book value of the asset and its recovery value where there is any indication that the asset may have suffered a loss in value. Any adjustments are entered to the income statement.
With reference to the asset consisting of the right of use, recognised in accordance with IFRS 16, it is measured using the cost model in accordance with IAS 16 Property, plant and equipment; in this case, the asset is subsequently depreciated and tested for impairment in case of impairment indicators.

6.4 Derecognition criteria

Property, plant and equipment are derecognised when they have been disposed of, or when the assets have been permanently taken out of use and no future economic benefits are expected from disposal.

6.5 Income component recognition criteria

Income components are entered to the relative items on the income statement according to the following indications:

- periodic depreciation, accumulated impairment losses, and value re-adjustments are allocated to item 180. "Net adjustments to property, plant and equipment".
- profits and losses on the disposal of assets are allocated to item 250. "Gains (losses) on disposal of investments".

SECTION 7 – INTANGIBLE ASSETS

7.1 Classification criteria

The portfolio of intangible assets includes intangible factors of production with a useful life of several years, mainly represented by application and system software.

7.2 Recognition criteria

Said assets are entered at the price of purchase including accessory charges and increased by expenses incurred at a later date to raise their value or initial production capacity.

7.3 Measurement criteria

Intangible assets are amortised according to the straight-line method based on the estimated residual useful life of the assets. If evidence is found indicating the existence of accumulated losses, intangible assets are tested for impairment and any losses in value are recorded; later write-backs may not exceed the amount of the previously recorded impairment losses.

7.4 Derecognition criteria

Intangible assets are derecognised when their economic function has been fully exhausted.

7.5 Income component recognition criteria

Periodic amortisation, accumulated impairment losses, and value re-adjustments are allocated to item 190. "Net adjustments to intangible assets".

SECTION 8. OTHER ASSETS

Other assets essentially include items awaiting settlement and items not attributable to other statement of financial position items, including receivables arising from the supply of non-financial goods and services, tax items other than those recognised under a specific item (for example, related to withholding tax), gold, silver and precious metals and accrued income other than those that should be capitalised on the related financial assets, including those arising from contracts with customers pursuant to IFRS 15, paragraphs 116 et seq.

SECTION 9 – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets or groups of assets/liabilities for which a disposal process has been initiated and their sale is considered highly probable are classified as assets under "Non-current assets and groups of assets held for sale" and are classified as liabilities under "Liabilities associated with assets held for sale". These assets/liabilities are measured at the lower of its book value and its fair value less costs to sell, with the exception of certain types of assets (e.g. financial assets within the scope of IFRS 9) for which IFRS 5 specifically requires that the measurement criteria of the relevant accounting standard be applied.
The balance of income and charges (dividends, interest, etc.), whether positive or negative, and the measurements of said assets/liabilities according to the above methods, net of the relative current and deferred taxes, is entered to item "290. Profit (loss) from discontinued operations after tax" of the income statement.

SECTION 10. CURRENT AND DEFERRED TAXATION

Income taxes, calculated in compliance with national tax regulations, are recognised as a cost on an accrual basis, consistent with the recognition of the costs and revenues that generated them in the financial statements. Therefore, they represent the balance of current and deferred taxes related to the income for the year. Current tax assets and liabilities include the net balance of the company's tax positions with the Italian and foreign Tax Authorities. In particular, these items include the net balance between current tax liabilities for the year, calculated on the basis of a prudent forecast of the tax burden due for the year, determined on the basis of current tax regulations, and current tax assets represented by advances and other tax credits for withholding taxes incurred or other tax credits from previous years for which the bank requested offsetting with taxes from subsequent years.
Current tax assets also include tax credits for which the bank has requested a refund from the competent tax authorities, while current tax liabilities also cover the risk of charges due to tax disputes.
Deferred tax entries are calculated according to temporary differences, without time limits, between the value attributed to an asset or liability according to statutory standards and the corresponding tax values resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts.
Deferred taxation is calculated based on the applicable rates, with respect to, (i) the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and (ii) the temporary deductible differences, with respect to which there is the reasonable certainty that there will be future taxable amounts at the time when the related tax deductibility becomes apparent (known as probability test).

Prepaid and deferred taxes are recognised at the level of equity with no offsetting entries.
If the deferred tax assets and liabilities refer to income statement items, the contra-entry is represented by income tax.
In cases where deferred tax assets and liabilities concern transactions that directly affected shareholders' equity without affecting the income statement (such as first-time adoption adjustments of IAS/IFRS, the measurements of financial instruments recognised at fair value through other comprehensive income or derivative contracts hedging cash flows, actuarial gains/losses on defined benefit plans (severance indemnities), they are recognised with contra-entry to equity, involving specific reserves when required (e.g. valuation reserves).
Deferred taxes on statement of financial position items in respect of which tax has been deferred "taxable in any case of use" are recognised in the financial statements as a reduction in equity.

SECTION 11. PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges consist of sums allocated in relation to current obligations that originated in a past event for which is likely that economic resources will be disbursed to fulfil the obligation, provided that it is possible to estimate the amount to be disbursed in a reliable manner.

Provisions for risks and charges against commitments and guarantees issued
The sub-item of provisions for risks and charges in question includes provisions for credit risk recognised against commitments to disburse funds and guarantees given that fall within the scope of application of the rules on impairment pursuant to IFRS 9. For these cases, the same methods for allocating to the three stages (credit risk stages) and calculating the expected loss shown with reference to financial assets measured at amortised cost or at fair value through other comprehensive income are adopted in principle.
The aggregate also includes provisions for risks and charges set up to cover other types of commitments and guarantees issued that, by virtue of their specific characteristics, do not fall within the aforementioned scope of application of the impairment in accordance with IFRS 9.

Other provisions
The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be obtained.
Consequently, a provision is recognised if and only if:
- an actual obligation exists (legal or implicit) being the result of a past event;
- it is likely that the employment of resources producing economic benefits will be required to fulfil the obligation; and
- a reliable estimate can be made of the amount resulting from the fulfilment of the obligation.

The amount recognised as provision represents the best estimate of the expense required for fulfilling the obligation existing at the end of the reporting period and shows the risks and uncertainties that inevitably characterise a variety of facts and circumstances. If the time factor is significant, provisions are discounted at current market rates. Provisions and increases due to the time factor are recognised in the Income Statement.
The provision is reversed when the use of resources producing economic benefits to fulfil the obligation becomes unlikely or when the obligation is extinguished.
In particular, the Bank uses the item other provisions for risks and charges for:
- personnel and third-parties for which it is likely that economic resources will be disbursed;
- risks of bankruptcy revocatory actions discounted with the Zero Coupon rate at the Statement of Financial Position date, by estimating the average duration of legal proceedings of this kind, and other risks for ongoing disputes;
- charitable activities and donations allocated upon approval of the financial statements.

The item also includes any long-term employee benefits, the charges of which are determined using the same actuarial criteria as those described for the provision for post-retirement benefit obligations.

SECTION 12. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

12.1 Classification criteria
Due to banks, Due to customers and Debt securities in issue include various forms of Interbank funding, customer deposits, repurchase agreements with the obligation of forward repurchase and sums collected through certificates of deposit and outstanding bonds and other funding instruments, net of any buybacks.
It also includes any debts recorded by the company as a lessee under finance leases (leases pursuant to IFRS 16).

12.2 Recognition and derecognition criteria
The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.
Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.

12.3 Measurement criteria
Subsequent to initial recognition, financial liabilities in this category are measured at amortised cost using the effective interest rate method.
Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.
Lease payables are revalued when there is a lease modification (e.g. a change in the scope of the contract), which is not accounted for/considered as a separate lease.

12.4 Derecognition criteria
Financial liabilities are derecognised when they have expired or been extinguished. They are also derecognised if previously issued bonds are bought back. The difference between the book value of liabilities and the amount paid to purchase them is recognised in the income statement.
Any replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

SECTION 13. FINANCIAL LIABILITIES HELD FOR TRADING

13.1 Classification and recognition criteria
These financial instruments are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any transaction cost or income directly attributable to the instruments themselves.
In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Any liabilities that originate from uncovered short positions generated by securities trading and certificates are also included.

13.2 Measurement criteria
All trading liabilities are measured at fair value with the result of the measurement recognised in the income statement.

13.3 Derecognition criteria
Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits.

13.4 Income component recognition criteria
The same criteria are applied, with the necessary adaptations, as are used for the recognition of income components of financial assets held for trading (see point 1 – Financial assets held for trading).

SECTION 14. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

14.1 Classification criteria
Financial liabilities designated at fair value are recognised in this item, with contra-entry to the Income Statement, based on the option granted to companies (known as "fair value option") under IFRS 9 and in compliance with the provisions of the relevant regulations.
In particular, this category includes financial liabilities to be measured at fair value through profit or loss when:
- designation at fair value eliminates or reduces the inconsistency in measurement or recognition ("accounting asymmetry") that would otherwise result from the measurement of assets or liabilities or from the recognition of related gains and losses on different bases;
- the management and/or measurement of a group of financial instruments at fair value with an impact on the income statement is consistent with a documented risk management or investment strategy oriented along those lines by company management and/or Board of Directors;
- there is a hybrid instrument containing a host contract that is not an asset within the scope of IFRS 9 and an embedded derivative that is to be separated.

14.2 Recognition criteria
These liabilities are recognised at the issue date at their fair value, which normally coincides with the cost of the instrument, without considering transaction costs or income directly attributable to the instrument itself, which are instead recognised in the income statement and include the value of any embedded derivative, net of placement fees paid.
In particular, the Bank recognised as financial liabilities measured at fair value the fixed-rate funding instruments the market risk of which has been systematically hedged.

14.3 Measurement criteria
These liabilities are measured at fair value and the result is recognised in accordance with the following rules set out in IFRS 9:
- fair value changes that are attributable to changes in creditworthiness must be recognised in the Statement of comprehensive income (Equity);
- the remaining fair value changes must be recognised in the Income Statement.

The amounts recognised in the Statement of comprehensive income are not subsequently reclassified to the income statement. This accounting method must not be applied when the recognition of the effects of one's creditworthiness under equity leads to or accentuates an accounting mismatch in the income statement. In this case, the gains or losses related to the liability, including those determined as a result of the change in its creditworthiness, must be recognised in the income statement.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: methods based on the valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models, and values posted in recent comparable transactions.
For more details, please refer to the section on general criteria for measuring fair value (Part A.4).

14.4 Derecognition criteria
Financial liabilities measured at fair value are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold substantially transferring all related risks and benefits.

14.5 Income component recognition criteria

Interest expense in this category is entered on an accrual basis to the income statement items relative to interest; accounting for any commissions (up-front fees) paid or received early in a lump-sum.
Realised and unrealised profits and losses deriving from the change in fair value of financial assets are entered to item 110.a "Net change in financial assets and liabilities measured at fair value through profit or loss - financial assets and liabilities designated at fair value".

SECTION 15. CURRENCY TRANSACTIONS

15.1 Classification and recognition criteria

Currency transactions consist of all assets and liabilities denominated in currencies other than the Euro and are entered at the exchange rate on the date of the transaction.

15.2 Measurement criteria

At the end of each reporting period or interim reporting date, items in foreign currencies are measured as follows:

- monetary items are converted at the exchange rate at the end of the reporting period;
- non-monetary items measured at historical cost are converted at the exchange rate on the date of the operation;
- monetary items measured at fair value are converted using the exchange rates at the end of the reporting period.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements are recognised in the income statement relating the period in which they arise.
When a gain or loss from a non-monetary item is carried at equity, the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is recognised in the income statement, the associated exchange rate difference is also recognised in the income statement.

SECTION 16. OTHER INFORMATION

16.1 Provision for severance indemnities

Following the reform of supplementary pensions implemented by Legislative Decree No. 252/2005 those amounts of the severance indemnities that had accrued as at 31 December 2006 remain under the management of the Bank while amounts accruing starting from 1 January 2007 must either be paid into supplementary pension schemes or to the fund managed by INPS (according to the choice expressed by the employee).
The coming into force of the above mentioned reform made for a change in the way the fund was recorded both with regard to amounts accrued as at 31 December 2006 and to amounts accruing starting from 1 January 2007.
In particular:

- amounts accruing starting from 1 January 2007 go to a "defined-contribution plan" regardless of whether the employee opted for a supplementary pension scheme or for the treasury fund managed by INPS. The Bank therefore records amounts paid into these funds as payroll without employing actuarial criteria;
- amounts accrued as at 31 December 2006 go to a "defined-benefit plan" and are entered at the value calculated according to actuarial criteria in compliance with IAS 19. The liability in relation to the accrued severance indemnities is calculated on an actuarial basis with no pro-rata calculation of services rendered, as the service that must be measured has entirely accrued.

Classification, recognition, derecognition and measurement criteria

The provision for severance indemnities – for the amount accrued as at 31 December 2006 – is entered at the value calculated according to actuarial criteria provided in IAS 19 for defined-benefit programmes for employees and is certified by independent actuaries.
The Projected Unit Credit Method is used for discounting; this method involves predicting future disbursements according to historical and statistical analyses and the demographic curve and then discounting these flows according to a market interest rate. The discount rates are calculated according to the term structure of interest rates as obtained, by a bootstrap procedure, from the swap rate curve for the dates of measurement.
The amount that started accruing from 1 January 2007 is not added to the severance indemnities fund but rather it is paid into the pension funds and/or the treasury fund managed by INPS.

Income component recognition criteria

With regard to the recognition of the annual changes resulting from the actuarial calculations of the components of the "defined benefit plans", the IAS 19 previously in force consisted of two options:

1. the recognition in the income statement
2. the recognition in equity (statement of comprehensive income).

Until 31 December 2012, the Bank had adopted the first method, accounting in the income statement for all changes in provision for severance indemnities accrued during the period.
With EC Regulation no. 475 of 5 June 2012, the new version of IAS 19 "Employee Benefits" was approved. Such regulation, applicable as per mandatory requirements, for accounting periods beginning on or after 1 January 2013, provides a single method for accounting of actuarial gains/losses, which have to be included immediately in the calculation of net liabilities to employees, as contra-entry for an equity item (OCI - Other Comprehensive Income) to be included in the statement of comprehensive income for the period.
Based on the above regulation, the Bank adopted the revised IAS 19 starting from the financial statements for 2013, implementing the recognition in the income statement of gains and losses attributable to the actuarial nature of these differences directly in equity, with data related to financial statements for 2012 reclassified in accordance with IAS 8.
For more detailed information concerning the composition and values of the items affected by the estimates, please refer to the specific sections in the notes to the financial statements.

Payments into the supplementary pension schemes are booked to the income statement under item 150.a) "Payroll" in relation to defined contribution programmes.

16.2 Leasehold improvements

The costs sustained for restructuring property belonging to third parties are capitalised in consideration of the fact that for the duration of the rental contract the using company has control of the assets and may receive their future economic benefits. Such costs, recorded in "Other assets" as provided for by the instructions of the Bank of Italy, are amortised over a period which must not exceed the duration of the rental contract, and amortisation quotas are recorded in "Other operating charges".

16.3 Purchase of tax credits

The model developed by the IT outsourcer Allitude S.p.A., which is in line with what is indicated in document no. 9 of the Coordination table among the Bank of Italy, Consob and IVASS regarding the application of IAS/IFRS was adopted to account for the purchased tax credits; in particular:

• the business model adopted is HTC;
• the tax credit is shown in the balance sheet under other assets;
• calculated using the amortised cost method, interest is shown in the balance sheet under interest income.

These credits will be used to offset tax and social security payments, without the intention of making further transfers of the same; therefore, no significance and frequency thresholds have been set for the assessment of the compatibility of the sales of the credits in question.
The maximum amount that can be purchased was determined in a prudential manner with respect to the concrete possibilities of using the credit acquired for offsetting; following this, it is believed that the entire annual amount can be used within the end of each year, rendering the hypothesis of having to make value adjustments a remote possibility. In this case, the impairment process will follow the policy already in use for HTC assets.

16.4 Treasury shares

Any treasury shares held are recorded as a reduction in equity. Similarly, their original cost and the gains or losses deriving from their subsequent sale are recognised as changes in equity.

16.5 Accruals and deferrals

Accruals and deferrals that include expenses and income for the period accrued on assets and liabilities are recognised in the financial statements to adjust the assets and liabilities to which they refer.

16.6 Recognition of revenues

Revenues are recognised when they are received, or when it is likely that future benefits will be received or said benefits may be reliably quantified. In particular:

- interest income is recognised on an accrual basis according to the contractual interest rate or the effective interest rate if the amortised cost method is applied;
- interest on arrears, when provided for by a contract, is recognised in the income statement only when it is actually collected;
- dividends are recognised to the income statement when it is resolved to distribute them, which coincides with when they are collected.

16.7 Provisions for guarantees and commitments

Provisions and write-downs due to the impairment of guarantees issued and commitments to disburse funds are calculated applying the same methods adopted for financial assets measured at amortised cost and for financial assets measured at fair value through other comprehensive income.

16.8 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition net of any principal repayments, plus or minus cumulative amortisation, calculated using the effective interest rate method, of any difference between initial amount and amount at maturity and net of any reduction for impairment.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or through the subsequent date for recalculation of the price to the net carrying amount of the financial asset or financial liability. In the calculation of the present value, the effective interest rate is applied to the flow of future cash receipts or payments through the entire useful life of the financial asset or liability – or for a shorter period when certain conditions are met (for example review of market interest rates).
After initial recognition, amortised cost enables allocation of revenues and costs directly by decreasing or increasing the value of the instrument over its entire expected life via the amortisation process. The determination of amortised cost is different depending on whether financial assets/liabilities have fixed or variable rates and, in this last case, if the volatility of the rate is known or not beforehand. For instruments with fixed rate or fixed rate by time bands, future cash flows are quantified on the basis of the known interest rate (sole or variable) over the life of the financing. For financial assets/liabilities with a variable rate, for which the volatility is not known beforehand (for example because it is linked to an index), the determination of cash flows is carried out based on the last rate available. At every revision of the interest rate the amortisation plan and the effective interest rate for the entire life of the investment, until maturity, are recalculated. Any changes are recorded in the income statement as income or loss.
Financial assets and liabilities traded at market conditions are initially recognised at fair value, which normally corresponds to the amount disbursed or paid including, for instruments measured at amortised cost, transaction costs and any directly attributable fees.
Transaction costs include internal or external marginal costs and income attributable to the issue, the acquisition or the disposal of a financial instrument that are not debited to customer. Such commissions, which must be directly attributable to the single financial asset or liability, modify the original effective interest rate; thereby the effective interest rate associated to the transaction differs from contractual interest rate.
Transaction costs do not include costs/income relating to more than one transaction and the components related to events that may occur during the life of the financial instrument, but that are not certain at the time of the initial agreement, such as for example commissions for distribution, for non-use and for advance termination. Amortised cost does not include costs the Bank would sustain

independently from the transaction (e.g. administrative and communication costs, stationery expenses), those, which though directly attributable to the transaction are part of standard practice for the management of lending (e.g. activities related to the loan granting process, administrative management of syndicated loans) as well as commissions on services received following structured finance activities that would in any case have been received independently from the subsequent financing of the transaction.
With reference to loans, fees paid to distribution networks are considered costs directly attributable to the financial instrument.
Regarding securities issued, amortised cost considers placement commissions on bond issues paid to third parties, while it does not consider legal and advisory/review expenses for the annual update of prospectuses.

16.9 Fair value measurements

General qualitative and quantitative information on criteria for measuring fair value can be found in Part A.4.

A.3 Information on transfers of financial assets between portfolios

During 2023, the Bank did not make any transfers of financial assets between portfolios and therefore this section is not completed.

A.4 Fair Value disclosure

Qualitative information

This section deals with methods for determining fair value in relation to the types of assets and liabilities of the Bank.
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. not a forced liquidation or below cost sale). The fair value is an evaluation criterion of the market, not specific to the entity. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
For financial instruments, fair value is determined through the use of prices obtained from financial markets in the case of instruments listed on active markets or via internal valuation techniques for other financial instruments.
A market is regarded as active if listed prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer or brokered market, industry group, pricing service or regulatory agency.
When the market is not functioning regularly, that is when the market does not have a sufficient and continuous number of trades, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price of a hypothetical independent arm's length transaction, motivated by normal business considerations, as at the measurement date.
With regard to financial instruments, IFRS 13 establishes a hierarchy of criteria based on the origin, type and quality of information used in the calculation. The "fair value hierarchy" defines three levels for the measurement of the fair value:
- Level 1: the fair value of instruments classified in this level is determined based on quotation prices observed in active markets for identical assets or liabilities;
- Level 2: the fair value of instruments classified in this level is determined based on valuation models that use inputs that can be observed either directly or indirectly in the market (other than listed prices in level 1);
- Level 3: the fair value of instruments classified in this level is determined based on valuation models that use inputs that cannot be observed in the market.

The choice of these methodologies is not optional but must be applied according to a hierarchy since this classification has the objective to establish a hierarchy in terms of the reliability of the values depending on the degree of discretion applied by the companies, giving priority to the use of observable market inputs that reflect the assumptions that participants would use in the valuation (pricing) of the asset/liability. The objective of the hierarchy is also to increase consistency and comparability in fair value measurements.
The valuation method defined for a financial instrument is adopted over time and is changed only as a result of significant changes in market conditions or for the issuer of the financial instrument.
The Bank's activities considered listed on an active market (Level 1) are: equities, bonds and securities listed on a regulated market for which at least two executable prices with a difference between a bid-ask price of less than 15% can be determined on a daily basis over the last month.
The following instruments are valued on the basis of techniques that make mainly use of market parameters (Level 2):
- bonds under the FVO for which it is not possible to use Level 1 fair value;
- bonds classified under the HTCS portfolio for which it is not possible to use Level 1 fair value;
- bonds classified under the Cash Flow hedge portfolio (only for the purposes of testing the hedge effectiveness);
- equity securities listed on a market that is not considered to be active;
- OTC interest rate derivatives.

With regard to OTC derivatives, a methodological approach was adopted that allows to include credit risk in determining the fair value of financial instruments: in particular, to fulfil the requirements of the new IFRS 13, it enhances the effects of changes in the counterparty creditworthiness (Credit Value Adjustment - CVA) and the effects of changes in own creditworthiness (Debit Value Adjustment - DVA). The adjustment values are dependent on exposure, the probability of default (PD) and loss given default (LGD) of the counterparties.

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

Level 2 fair value

The following instruments are valued on the basis of techniques that make mainly use of market parameters (Level 2):
- bonds under the FVO for which it is not possible to use Level 1 fair value;
- bonds classified under the HTCS portfolio for which it is not possible to use Level 1 fair value;
- bonds classified under the Cash Flow hedge portfolio (only for the purposes of testing the hedge effectiveness);
- equity securities listed on a market that is not considered to be active;
- OTC interest rate derivatives.

In detail, for each of the categories of instruments identified above we apply the valuation models mentioned below.

Bonds classified under HTCS or under the FVO
The methods used for the valuation of these bonds are:
- amortisation plan with future coupons estimated based on forward rates and yield curve including credit spread for variable rate securities;
- amortisation plan with estimated future coupons and yield rate including credit spread for fixed rate securities.

Equity securities listed on a market that is not considered to be active
Equity securities listed on a market that is not considered as "active" are characterised by difficult trading and high volatility in the presence of low volumes traded in accordance with this Regulation; for these securities, the fair value measurement is mainly carried out by applying statistical/financial models envisaged for Level 3 fair value.

Bonds and interest rate derivatives entered into a hedged portfolio using hedge accounting
The calculation of the fair value for hedging derivatives is done by adopting the "Notional Cash Flow After Last Known Coupon" model and the yield curve including issue spread for the valuation of the variable rate component: evaluation differences between this model and the more correct model based on amortisation plan with future coupons estimated based on forward rates are considered negligible. For consistency, the same model is also applied to the hedged bonds only for the purpose of verifying the effectiveness of the hedge.[21]
For the measurement of the fair value of the fixed rate component, we use a model taking into account amounts specified in the amortisation plan and estimating future coupons based on the current coupon rate and the yield curve including issue spread.

Interest rate trading derivatives
For the evaluation of trading derivatives, the fair value provided from time to time by qualified counterparties whose methods are considered to be consistent with those outlined in this policy is adopted, applying to them the necessary correction to take account of counterparty risk (CDA/DVA).

Level 3 fair value

For certain types of financial instruments (equity investments not listed or, in some cases, listed on markets that are not considered to be active), the determination of fair value is based on valuation models that must assume the use of parameters that are not directly observable on the markets, therefore implying estimates and assumptions on the part of the evaluator (Level 3). In particular, the valuation of the financial instrument is based on a calculation model that is based on financial or similar methods. The cost of purchase is used if the valuation is objectively not possible or if the cost and effort to obtain it is too high (for the characteristics and extent of participation).

Assets and liabilities at amortised cost

To integrate the above information in relation to individual financial statement items, for assets and liabilities reported at amortised value, the fair value shown in the Notes to the financial statements is calculated as follows:
- For loans and advances to customers and banks, the fair value (Level 2) is calculated by discounting the future contractual flows on the basis of the market rates curve at the closing of the year according to an approach based on the discount rate adjustments, which provides that risk factors - represented by the PD and LGD parameters used in calculating impairment of the portfolios - are taken into account in the rate used to discount the future flows, also considering the general worsening of the risk differentials recorded under current market conditions;
- For bonds issued and in the portfolio, the fair value (Level 2) is calculated with the help of external providers, based on the discounting of future cash flows expected from the contractual plan of the security on the basis of the market rates curve at the closing of the year, adjusted as necessary to take into account the risk profile of the issuer;
- The fair value of loans and amounts due to customers and banks on demand is estimated from the book value (Level 3).

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

The inclusion of the counterparty and own credit risk, for the purpose of determining the fair value of derivatives, as required by IFRS 13, implies that the value calculated on the basis of risk-free rates (MTM) is subject to an adjustment. Such adjustment is referred to as CVA for derivative asset and DVA for derivative liabilities in the Statement of Financial Position.
For the determination of the Credit Valuation Adjustment (CVA) for derivatives purchased from bank counterparties and Debit Valuation Adjustment (DVA) of derivatives sold to customers, we use the methodologies developed by the Cassa Centrale Banca in collaboration with IT companies in the sector (including the outsourcer for the Bank).
IFRS 13 requires the use of valuation techniques that maximize the use of observable market data and data which are attributable to factors taken into account in the valuation of financial instruments by all market participants. Given the characteristics of the transactions entered into and the type of banks as counterparties, it is reasonable to estimate the PD (Probability of Default), both for the Bank's own credit risk and the bank counterparties', using the historical approach. This represents a suitable alternative to the market approach, by referencing to the tables of default historical data reported by the rating agency Moody's using the default rates associated with rating classes (Table "European Corporate Default and Recovery Rates"). As regards LGD (Loss Given Default), in accordance to the methodology of the above-mentioned working group, a loss of 60% of the EAD is assumed in line with practices for unsecured derivatives.

Quantitative information on relevant non-observable inputs used in the evaluation of fair value

It is noted that Level 3 instruments, which have more discretion in determining the fair value, represent only a small percentage (2.9%) of total assets. The quantitative impact of unobservable inputs used in measuring fair value is therefore deemed insignificant.

A.4.2 Processes and sensitivity of valuations

The methodologies for determining the fair value of financial instruments and the criteria for allocation of the instruments themselves within the "Fair Value Hierarchy" are governed by the assessment policy of assets and liabilities adopted by the Bank.
The Assessment Policy identifies for each financial product/family of products the input parameters and their sources as well as the valuation methods.
The valuation models used must be consistent with the degree of complexity of the products offered/negotiated, reliable in estimating values, used and known by other market participants.
The evaluation process consists of the following phases:
1. The first phase identifies the types of product, the financial parameters and their sources to be used, which must be of proven reliability and be widely accepted among market participants.
2. The second phase of the evaluation process specifies the method for determining the fair value, for each type of product.

In phase 1, for securities classified under Level 2 of the fair value hierarchy, the process of determining the spread of the issuer creditworthiness is particularly relevant, as detailed below.

21 The Cash Flow Hedge system envisages that the hedged instrument follows the rules of the IAS category in which it is classified.

Issuer's creditworthiness

For assets/liabilities on the wholesale market, the credit spread applied is recorded for each issuer (including Mediocredito Trentino – Alto Adige SpA), according to one of the following methodologies, in order of priority:
1. spread applied to the most recent bond issue of significant amount, placed with no connected eligible counterparties;
2. spread determined taking into account the credit rating of each counterparty (including Mediocredito Trentino – Alto Adige S.p.A.) and contingent conditions of the funding market;
3. latest credit spread as reported by Reuters for Moody's rating level.

For liabilities in the retail market, the credit spread applied is the one recognised for the issuer Mediocredito Trentino – Alto Adige S.p.A. by considering the most recent bond issue placed with retail counterparties.
For the assessment of unsecured bonds by corporate counterparties, in the absence of significant issues on the basis of which it is possible to estimate the credit spread, the spread is set to the minimum provided for unsecured financing transactions of the same original duration.

A.4.3 Hierarchy of fair value

The choice of the level of fair value is not optional, but must be applied in a hierarchical order, as this classification has the objective to establish a hierarchy in terms of the reliability of the values depending on the degree of discretion applied, giving priority to the use of observable market inputs that reflect the assumptions that market participants would use in the evaluation (pricing) of assets/liabilities. The objective of the hierarchy is also to increase consistency and comparability in fair value measurements. The valuation method defined for a financial instrument is adopted over time and can only be changed as a result of significant changes in the market or the financial instrument issuer conditions.

A.4.4 Other Information

All non-financial assets, whether they are measured at fair value on a recurring or non-recurring basis, are used at their maximum potential and in the best way.

QUALITATIVE INFORMATION

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

	2023			2022		
Assets/liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets measured at FV through profit or loss		3,420	18,796		3,349	16,745
a) financial assets held for trading		2,058			2,062	
b) financial assets designated at fair value						
c) other financial assets mandatorily measured at fair value [1]		1,362	18,796		1,287	16,745
2. Financial assets measured at FV through other comprehensive income	215,723	-	29,757	126,871	-	27,594
3. Hedging derivatives						
4. Property, plant and equipment						
5. Intangible assets						
Total	**215,723**	**3,420**	**48,553**	**126,871**	**3,349**	**44,339**
1. Financial liabilities held for trading		2,019			2,032	
2. Financial liabilities designated at fair value						
3. Hedging derivatives						
Total		**2,019**			**2,032**	

1 In both financial years, the amount contains receivables for cash reserves related to securitisations that did not pass the SPPI test (€1.2m in 2023; €0.2m in 2022).

In 2023, the Bank did not carry out transfers of financial assets/liabilities between Level 1 and Level 2.
The fair value of derivative assets includes counterparty credit risk (CVA) of €16 thousand (€12 thousand in 2022) while the fair value of derivative liabilities includes Mediocredito credit risk (DVA) of €55 thousand (€43 thousand in 2022).

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	Of which: a) financial assets held for trading	Of which: b) financial assets designated at fair value	Of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**16,745**			**16,745**	**27,594**			
2. Increases	**3,057**			**3,057**	**2,163**			
2.1 Purchases [1]	2,216			2,216	2,163			
2.2 Profits in:	840			840	-			
2.2.1 Income statement [2]	840			840				
- of which: Capital gains	840			840				
2.2.2 Equity					-			
2.3 Transfers from other levels								
2.4 Other increases	2			2	-			
3. Decreases	**1.007**			**1.007**	**-**			
3.1 Sales					-			
3.2 Redemptions [3]	397			397				
3.3 Losses in:	610			610				
3.3.1 Income statement [4]	610			610				
- of which: capital losses	610			610				
3.3.2 Equity								
3.4 Transfers to other levels								
3.5 Other decreases					-			
4. Closing balance	**18,796**			**18,796**	**29,757**			

1 With regard to financial assets measured at fair value through profit or loss, the amount refers for €1.0m to the payment for the cash reserve of the Lancelot SPE vehicle, for €223 thousand to the units of the closed-end fund Assietta Private Equity IV, for €115 thousand to the units of the Sustainable Securities Fund, for €36 thousand to the units of the closed-end Sviluppo PMI 2 fund, for €57 thousand to the units of the HAT Technology & Innovation fund, for €105 thousand to the units of the Equita Private Debt fund, for €281 thousand to the units of the Nextalia Private Equity fund, for €188 thousand to the units of the Ver Capial Sinloc Transition Energy fund, for €38 thousand to the units of the Made in Italy II Sicav fund and for €172 thousand to the units of the Nextalia Crediti Opportunities fund. On the other hand, with regard to financial assets measured at fair value through other comprehensive income, the amount refers for €31 thousand to the purchase of the equity investment in FT Phaos Srl, for €125 thousand to the purchase of the equity investment in Trento Funivie S.p.A., for €1.0m to the purchase of the equity investment in the Dovevivo S.p.A. and for €1.0m to the purchase of the equity investment in Isa Wines Srl.

2 With regard to financial assets measured at fair value through profit or loss, the amount refers for €675 thousand to the positive change in fair value of the Finint Fenice fund, for €79 thousand to the positive change in the fair value of the HAT Technology & Innovation fund, for €32 thousand to the positive change in fair value of the PMI Italia II fund and for €54 thousand to the positive change in fair value of the closed-end Equita Private Debt II fund.

3 With regard to financial assets measured at fair value through profit or loss, €117 thousand relates to the partial repayment of units of the PMI Italia II fund, for €252 thousand to the repayment of units of the Industry 4.0 SICAV fund and for €27 thousand to partial repayments of the cash reserve relating to the Buonconsiglio 3 securitisation (of which €2 thousand for interest income, recognised in item 2.4).

4 With regard to financial assets measured at fair value through profit or loss, these include for €280 thousand the negative change in fair value of the closed-end fund Assietta Private Equity III, for €28 thousand the change in the Assietta Private Equity IV fund, for €79 thousand the negative change in the Value Italy Credit 3 fund, for €15 thousand to the negative change in the Sustainable Securities Fund, for €23 thousand for the negative change in fair value of the Nextalia Private Equity fund, for €163 thousand to the negative change in fair value of the Industry 4.0 SICAV fund, for €3 thousand to the negative change in fair value of the Sviluppo PMI II fund and for €18 thousand to the negative change in fair value of the Ver Capital Sinloc Transition Energy fund.

A.4.5.3 Annual changes in financial liabilities measured at FV on a recurring basis (Level 3)

The Bank does not hold any financial liabilities measured at fair value on a recurring basis for Level 3 in the current year nor in the period of comparison.

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

Type of transaction/Amounts	2023				2022			
	BV	FV			BV	FV		
		Lev. 1	Lev. 2	Lev. 3		Lev. 1	Lev. 2	Lev. 3
1. Financial assets measured at amortised cost	1,331,165	292,603	950,844	36,364	1,393,106	322,595	941,013	26,697
2. Property, plant and equipment held for investment purposes	116	-	-	116	116	-	-	116
3. Non-current assets and groups of assets held for sale	-	-	-	-	-	-	-	-
Total	**1,331,281**	**292,603**	**950,844**	**36,480**	**1,393,222**	**322,595**	**941,013**	**26,813**
1. Financial liabilities measured at amortised cost	1,472,979	-	1,245,724	202,853	1,440,116	-	824,644	572,108
2. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**1,472,979**	**-**	**1,213,137**	**235,569**	**1,440,116**	**-**	**824,644**	**572,108**

A.5 Information on day one profit/loss

There are no items for the table A.5 Information on "day one profit/loss", set forth by the Bank of Italy.

PART B
INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1 – CASH AND CASH EQUIVALENTS - ITEM 10

1.1 Cash and cash equivalents: breakdown

	2023	2022
a) Cash	4	2
b) Current accounts and demand deposits with Central Banks	-	-
c) Current accounts and demand deposits with banks	48,799	38,215
Total	**48,803**	**38,217**

SECTION 2 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - ITEM 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A Cash assets						
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities						
3. Investments in UCITS						
4. Loans						
4.1 Repurchase agreements						
4.2 Others						
Total A						
B Derivative instruments						
1. Financial derivatives		2,058			2,062	
1.1 trading[1]		2,058			2,062	
1.2 related to fair value option						
1.3 others						
2. Credit derivatives						
2.1 trading						
2.2 related to fair value option						
2.3 others						
Total B		**2,058**			**2,062**	
Total (A+B)		**2,058**			**2,062**	

1 These consist of cap options with banks as counterparties whose characteristics mirror those with ordinary customers as counterparties, shown in item 20 of liabilities, to which reference is made. The fair value takes into account the counterparty credit risk (CVA) for €16 thousand (€12 thousand in 2022).

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

Items/Amounts	2023	2022
A. Cash assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations	-	-
2. Equity securities	-	-
a) Central Banks	-	-
b) Other financial corporations	-	-
of which: insurance companies	-	-
c) Non-financial corporations	-	-
d) Other issuers	-	-
3. Investments in UCITS	-	-
4. Loans	-	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial corporations	-	-
of which: insurance companies	-	-
e) Non-financial corporations		
f) Families		
Total A	**-**	**-**
B. Derivative instruments	**2,058**	**2,062**
a) Clearing House		
b) Other	2,058	2,062
Total B	**2,058**	**2,062**
Total (A+B)	**2,058**	**2,062**

Financial assets held for trading: annual changes

	Financial trading derivatives
A. Opening balance	**2,062**
B. Increases	**809**
B1. Purchases	-
B2. Positive changes in fair value	568
B3. Other changes	241
C. Decreases	**814**
C1. Sales	
C2. Redemptions	
C3. Negative changes in fair value	790
C4. Transfers to other portfolios	
C5. Other changes	23
D. Closing balance	**2,058**

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

Items/Amounts	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	-	1,362		-	1,287	
1.1 Structured securities	-			-		
1.2 Other debt securities [1]	-	1,362		-	1,287	
2. Equity securities	-			-		
3. Investments in UCITS [2]	-		17,626	-		16,550
4. Loans	-		1,170	-		195
4.1 Repurchase agreements	-			-		
4.2 Others [3]	-		1,170	-		195
Total	**-**	**1,362**	**18,796**	**-**	**1,287**	**16,745**

1 These are debt securities that did not pass the SPPI test; in particular, the amount refers for €1.349m to a subordinated bond issued by an insurance institution and for €13 thousand to the mezzanine and junior tranches issued by the Buonconsiglio 3 securitisation.
2 This item is made up of €9.7m of units of the Finint Fenice closed-end real estate investment fund; it also includes the value of the units of funds: Industry 4.0 SICAV of €1.8m, Assietta Private Equity III closed-end securities investment fund of €0.5m, Assietta Private Equity IV closed-end securities investment fund of €1.2m, PMI Italia II of €0.7m, HAT Technology and Innovation closed-end securities investment fund of €1.0m, Value Italy Credit 3 closed-end securities investment fund of €0.4m, Equita Private Debt II closed-end securities investment fund of €0.8m, Sviluppo PMI 2 closed-end securities investment fund of €0.5m, Nextalia Private Equity fund of €0.5m and Sustainable Securities Fund of €0.2m, Ver Capital Sinloc Transition Energy of €0.2m, Made in Italy II Sicav of €38 thousand and Nextalia Crediti Opportunities of €0.2m.
3 These are receivables for cash reserves relating to securitisations that did not pass the SPPI test.

Commitments relating to investments in UCITS

Fund	2023	2022
Progressio Investimenti IV	1,000	-
Made in Italy II Sicav	962	-
Industry 4.0 SICAV	892	892
Nextalia Crediti Opportunities	828	-
Ver Capital Sinloc	812	1,000
Sustainable Securities Fund	804	919
Sviluppo PMI 2	565	601
Assietta Private Equity IV	527	749
Nextalia Private Equity	483	765
HAT Technology & Innovation	434	491
Equita Private Debt II	296	401
Finint PMI Italia II	204	87
Assietta Private Equity III	82	82
Total	**7,889**	**5,988**

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

Items/Amounts	2023	2022
1. Equity securities		**-**
of which: banks		**-**
of which: other financial corporations		**-**
of which: other non-financial corporations		**-**
2. Debt securities	**1,362**	**1,287**
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial corporations	1,362	1,287
of which: insurance companies	1,349	1,273
e) Non-financial corporations		
3. Investments in UCITS	**17,626**	**16,550**
4. Loans	**1,170**	**195**
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial corporations	1,170	195
of which insurance companies		
e) Non-financial corporations		
f) Families		
Total	**20,158**	**18,032**

Financial cash assets: annual changes in gross exposures

Annual changes in investments in UCITS are shown in the section "Other information" of part B.

SECTION 3 – FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - ITEM 30

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

Items/Amounts	2023			2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities [1]	187,801			101,479		
1.1 Structured securities						
1.2 Other debt securities	187,801			101,479		
2. Equity securities [2]	27,922		29,757	25,392		27,594
3. Loans						
Total	**215,723**		**29,757**	**126,871**		**27,594**

1 These consist of a nominal amount of €188.5m of government securities (level 1), purchased by the Bank to create adequate reserves of assets readily available and eligible for refinancing with the ECB.

2 Level 3 includes in particular the equity investment in the Bank of Italy and the other unlisted equity investments, including those deriving from the restructuring of impaired loans (Funivie Madonna di Campiglio S.p.A., Funivie Folgarida Marilleva S.p.A., Lineapiù S.p.A.).

Commitments relating to equity securities

Fund	2023	2022
FT Phaos Srl	468	-
T5 Srl	391	391
Trento Funivie S.p.A.	171	-
AT Holding Srl	152	152
Total	**1,182**	**543**

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

Items/Amounts	2023	2022
1. Debt securities	**187,801**	**101,479**
a) Central Banks		
b) Public administrations	187,801	101,479
c) Banks		
d) Other financial corporations		
of which insurance companies		
e) Non-financial corporations		
2. Equity securities	**57,679**	**52,986**
a) Banks	30,144	28,049
b) Other issuers	27,535	24,938
- other financial corporations	13,362	12,502
of which insurance companies	6,713	5,853
- non-financial corporations	14,173	12,435
- others		
3. Loans		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial corporations		
of which insurance companies		
e) Non-financial corporations		
f) Families		
Total	**245,480**	**154,465**

Equity securities include the equity investment in Lineapiù S.p.A., classified as doubtful loans and fully written down in previous years.

Financial cash assets: annual changes in gross exposures

Annual changes in equity and debt securities are shown in the "Other information" section of Part B.

3.3 Financial assets measured at fair value through other comprehensive income: gross value and total value adjustments

	Gross value					Total value adjustments				Total partial write-offs
	Stage 1	of which instruments with low credit risk	Stage 2	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
Debt securities	187,801	187,801				37				
Loans										
Total	**187,801**	**187,801**				**37**				
Total (T-1)	**101,479**	**101,479**				**16**	**-**	**-**	**-**	**-**

For performing loans (stages 1 and 2), the gross value coincides with the net value, while in the case of any impaired exposures, a proxy should be used for the total value adjustments represented by the cumulative capital losses due to credit risk that, added to the fair value recognised in the financial statements, provide the gross value of the exposure. Therefore, the value adjustments are shown in the table for information purposes only.

3.3a Loans measured at fair value through other comprehensive income subject to COVID-19 support measures: gross value and total value adjustments

The Bank has no loans measured at fair value through other comprehensive income in its portfolio.

SECTION 4 – FINANCIAL ASSETS MEASURED AT AMORTISED COST – ITEM 40

4.1 Financial assets measured at amortised cost: breakdown by type of loans and advances to banks

Type of transaction/Amounts	2023						2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3
A. Deposits with central banks							**-**	**-**	**-**	**-**	**-**	**-**
1. Time deposits							-	-	-			
2. For reserve requirements							-	-	-			
3. Repurchase agreements							-	-	-			
4. Other							-	-	-			
B. Loans and advances to banks	**23,933**				**18,342**	**5,543**	**27,153**				**22,840**	**3,796**
1. Loans	5,543					5,543	3,796					3,796
1.1. Current accounts												
1.2 Time deposits	5,543						3,796					
1.3 Other loans:												
- Repurchase agreements												
- Lease financing												
- Other												
2. Debt securities	18,390				18,342		23,356				22,840	
2.1 Structured securities												
2.2 Other debt securities	18,390				18,342		23,356				22,840	
Total	**23,933**				**18,342**	**5,543**	**27,153**				**22,840**	**3,796**

It is noted that Mediocredito has met its mandatory reserve obligations to the Bank of Italy indirectly through Cassa Centrale Banca S.p.A., with which it holds a deposit made for this purpose equal to €5.543m as at 31 December 2023 and to €3.796m as at 31 December 2022 indicated in item B.1.2.

4.2 Financial assets measured at amortised cost: breakdown by type of loans and advances to customers

Type of transaction/Amounts	2023					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3
Loans	**928,442**	**15,945**			**876,539**	**30,366**
1.1. Current accounts	9,990	-				
1.2 Repurchase agreements						
1.3 Mortgages	716,958	11,403				
1.4 Credit cards, personal loans including "one-fifth of salary deducted loan"						
1.5 Lease financing [1]	164,462	1,868				
1.6 Factoring						
1.7 Other loans [2]	37,032	2,674				
Debt securities	**362,390**	**455**		**292,603**	**55,964**	**455**
1.1 Structured securities						
1.2 Other debt securities [3]	362,390	455		292,603	55,964	455
Total	**1,290,832**	**16,400**		**292,603**	**921,352**	**30,821**

1 The amount is net of the portion disbursed in relation to third-party funds, which is included in the item "other loans" to the amount of €1.0m.
2 They also include performing building leasing turnkey operations for €4.2m.
3 Includes government bonds for €309.8m and minibonds for €53.1m; the latter include the senior security issued by the Buonconsiglio 3 securitisation for €3.3m.

Type of transaction/Amounts	2022					
	Book value			Fair value		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Lev. 1	Lev. 2	Lev. 3
Loans	**953,226**	**13,660**			**870,083**	**22,478**
1.1. Current accounts	8,557	-				
1.2 Repurchase agreements						
1.3 Mortgages	754,552	12,431				
1.4 Credit cards, personal loans including "one-fifth of salary deducted loan"						
1.5 Lease financing [1]	121,702	1,062				
1.6 Factoring						
1.7 Other loans [2]	68,414	166				
Debt securities	**398,644**	**423**		**322,595**	**48,090**	**423**
1.1 Structured securities						
1.2 Other debt securities [3]	398,644	423		322,595	48,090	423
Total	**1,351,870**	**14,083**		**322,595**	**918,173**	**22,901**

1 The amount is net of the portion disbursed in relation to third-party funds, which is included in the item "other loans" to the amount of €1.7m.
2 They also include performing building leasing turnkey operations for €14.9m.
3 Includes government bonds for €355.8m and minibonds for €43.3m; the latter include the senior security issued by the Buonconsiglio 3 securitisation for €4.2m.

Information on the nature of the management operations on funds made available by the State or other public entities ("third party fund administration").

The item "other loans" includes €13.7m of funding provided from funds made available by the Autonomous Province of Trento for €0.7m, the Autonomous Province of Bolzano, directly or through the special purpose vehicle Asse Agenzia per lo Svilppo, for €11.6m and the Veneto Region, directly or through the special purpose vehile Veneto Sviluppo, for €1.4m.
All of the above funds, intended for particular funding operations as envisaged and governed by specific legislation[22], require Mediocredito to fully assume the risk.

Financial cash assets: annual changes

Annual changes in debt securities are shown in the "Other information" section of Part B.

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

Type of transaction/Amounts	2023			2022		
	Stage 1 and 2	Stage 3	of which: acquired or originated impaired	Stage 1 and 2	Stage 3	of which: acquired or originated impaired
1. Debt securities:	**362,390**	**455**		**398,644**	**423**	
a) Public administrations	309,752			355,802	-	
b) Other financial corporations	7,731			8,984	-	
of which: insurance companies	-			-	-	
c) Non-financial corporations	44,907	455		33,859	423	
2. Loans to:	**928,442**	**15,945**		**953,226**	**13,660**	
a) Public administrations	44,698			48,729	-	
b) Other financial corporations	17,244	2,674		26,033	377	
of which: insurance companies	-			-	-	
c) Non-financial corporations	841,505	11,599		847,868	11,404	
d) Families	24,995	1,672		30,596	1,879	
Total	**1,290,832**	**16,400**		**1,351,870**	**14,083**	

22 In particular:
- for the Autonomous Province of Trento: Provincial Law 6/99;
- for the Autonomous Province of Bolzano: Regional Laws 21/93 and 3/91 and Provincial Law 9/91;
- for the Veneto Region; Regional Law 18/94, 6/96, 5/2001 and 33/2002.

4.4 Financial assets measured at amortised cost: gross value and total value adjustments[23]

	Gross value					Total value adjustments				Total partial write-offs
	Stage 1	of which instruments with low credit risk[1]	Stage 2	Stage 3	acquired or originated impaired	Stage 1	Stage 2	Stage 3	acquired or originated impaired	
Debt securities	374,452	309,812	7,260	697		538	393	242		
Loans	812,706	32,751	134,880	32,833		4,089	9,512	16,888		
Total	**1,187,157**	**342,563**	**142,140**	**33,530**		**4,627**	**9,906**	**17,130**		
Total (T-1)	**1,234,375**	**380,265**	**160,964**	**36,838**		**5,422**	**10,894**	**22,754**		

1 The amount shown is related to loans for which, for the purposes of staging assessment, the staging model adopted by the Bank applies the Low Credit Risk Exemption, envisaged by IFRS 9, which requires that on FTA or subsequent measurement, a transaction can be classified as stage 1 if it meets the following requirements:
- absence of lifetime PD at the disbursement date;
- no "30 days past due" event in the 36 months prior to the measurement date, and
- rating class less than or equal to 4 for Small Businesses and Companies, less than or equal to 3 for POE and less than or equal to 5 for Private individuals.

The "Gross value" of financial assets shown in the table corresponds to the book value gross of total value adjustments (case-by-case and collective), which are instead shown in the "Total value adjustments" columns, and does not include accrued interests on arrears in that they are considered non-recoverable. In the case of stage 3 adjustments, the amount shown corresponds to the present value, at the end of the reporting period, of the difference between contractual flows and expected cash flows.

New liquidity granted through public guarantee mechanisms issued in relation to the COVID-19 context: gross value and total value adjustments

	Gross value					Total value adjustments				Total partial write-offs
	Stage 1	of which instruments with low credit risk	2° .	Stage 3	Acquired or originated impaired	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	
Loans	62,974	1,142	9,809	1,698		65	55	452		
Total	**62,974**	**1,142**	**9,809**	**1,698**		**65**	**55**	**452**		
Total (T-1)	**77,071**	**1,503**	**7,967**	**870**		**193**	**127**	**723**		**-**

23 The amounts in the table refer to both loans and advances to customers and loans and advances to banks.

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 Equity investments: information on equity relations

Names	Registered office	Operating office	% stake	% of votes available
A. Subsidiaries				
1. Paradisidue S.r.l.	Trento	Trento	100.000	100.000
B. Joint ventures				
C. Companies under significant influence				

7.4 Insignificant equity investments: accounting information [1]

Names	Book value of equity investments	Total assets	Total equity and liabilities	Total revenues	Profit (Loss) from current operations after taxes	Net profit (loss) from groups of assets held for sale	Net income (loss) for the year (1)	Other income components net of taxes (2)	Comprehensive income (3) = (1)+(2)
A. Subsidiaries									
1. Paradisidue S.r.l.	550	7,959	7,801	829	158	-	158	-	158
B. Joint ventures									
C. Companies under significant influence									

1 Statement of financial position data as at 31 December 2023.

7.5 Equity investments: annual changes

	2023	2022
A. Opening balance	**336**	**336**
B. Increases	**214**	**-**
B.1 Purchases	-	-
B.2 Write-backs	214	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Value adjustments	-	-
C.3 Write-downs	-	-
C.4 Other changes	-	-
D. Closing balance	**550**	**336**
E. Total revaluations	-	-
F. Total adjustments	1,634	1,848

Commitments relating to equity investments in subsidiaries

The Bank granted the subsidiary Paradisidue S.r.l. a loan account with a credit limit of €10.0m – for which the amount of €7.140m was drawn as at 31 December 2023 - for the purpose of acquiring and renovating buildings as part of bankruptcy proceedings.

SECTION 8 – PROPERTY, PLANT AND EQUIPMENT – ITEM 80

8.1 Property, plant and equipment for operational use: breakdown of assets valued at cost

Assets/Amounts	2023	2022
1. Assets owned	**7,478**	**7,851**
a) land [1]	1,950	1,950
b) buildings [2]	5,096	5,350
c) furniture	229	253
d) IT equipment	73	93
e) others	130	205
2. Rights of use acquired under leases [3]	**277**	**95**
a) land	-	-
b) buildings	232	36
c) furniture	-	-
d) IT equipment	-	-
e) others	45	60
Total	**7,755**	**7,946**
of which: obtained through the realisation of guarantees received		**-**

1 This is the historical cost of the land on which the registered office in Trento stands, owned from the ground up, accounted for separately under the paragraph 58 of IAS 16.
2 Subject to revaluation under special laws of which: €106.3 thousand under Law no. 576/75, €409.6 thousand under Law no. 72/83, €887.7 thousand under Law no. 413/91 and €4,410.7 thousand under Law no. 342/2000.
3 This item includes the amounts relating to the rights of use acquired under leases recognised as assets of the Bank in accordance with IFRS 16.

8.2 Property, plant and equipment held for investment purposes: breakdown of assets valued at cost

Assets/Amounts	2023				2022			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Assets owned	**116**	**-**	**-**	**116**	**116**	**-**	**-**	**116**
a) land [1]	116	-	-	116	116	-	-	116
b) buildings	-	-	-	-	-	-	-	-
2 Rights of use acquired under leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**116**	**-**	**-**	**116**	**116**	**-**	**-**	**116**
of which: obtained through the realisation of guarantees received								

1 This is a plot of land obtained as a result of debt recovery proceedings.

Depreciation of property, plant and equipment was calculated on the basis of the following annual depreciation charges that are deemed to adequately express the residual useful life of the assets.

Land .... not depreciated (indefinite useful life)
Lands incorporated from buildings owned (from the ground up)........ not depreciated (indefinite useful life)
Buildings for operational use 3.00%
Furnishing 12.00%
Air conditioning and various equipment 15.00%
Plants and lifts 7.50%
Furnishings 15.00%
Electronic equipment 20.00%
Cars and motor vehicles 25.00%
Telephone systems 12.50%

8.6 Property, plant and equipment for operational use: annual changes

	Land	Buildings	Furnishing	IT equipment	Other	Total
A. Gross opening balance	**1,950**	**11,516**	**2,129**	**717**	**1,983**	**18,296**
A.1 Total net write-downs	-	6,131	1,876	624	1,719	10,349
A.2 Net opening balance	**1,950**	**5,385**	**253**	**93**	**264**	**7,946**
B. Increases:		**240**	**-**	**12**	**11**	**263**
B.1 Purchases		240		12	11	263
B.2 Capitalised expenditure on improvements		-				-
B.3 Write-backs						
B.4 Positive fair value changes booked to						
a) equity						
b) income statement						
B.5 Exchange gains						
B.6 Transfers from property held for investment purposes						
B.7 Other changes						
C. Decreases:		**297**	**24**	**33**	**100**	**454**
C.1 Sales						
C.2 Depreciation		297	24	33	100	454
C.3 Adjustments due to impairment booked to						
a) equity						
b) income statement						
C.4 Negative fair value changes booked to						
a) equity						
b) income statement						
C.5 Exchange losses						
C.6 Transfers to:						
a) property, plant and equipment held for investment purposes						
b) assets held for sale						
C.7 Other changes						
D. Net closing balance	**1,950**	**5,328**	**229**	**73**	**175**	**7,755**
D.1 Total net write-downs	-	6,428	1,899	656	1,851	10,835
D.2 Gross closing balance	**1,950**	**11,756**	**2,129**	**729**	**2,026**	**18,590**
E. Measured at cost	-	-	-	-	-	-

All assets for operational use are measured at cost inclusive of monetary revaluation under special laws.
Items B.1 and C.2 of table 8.6 also include the amounts relating to the rights of use acquired under leases recognised as assets of the Bank in accordance with IFRS 16.

Property, plant and equipment for operational use purchased under finance lease: annual changes

	Buildings	Other	Total
A. Gross opening balance	**194**	**177**	**371**
A.1 Total net write-downs	158	117	275
A.2 Net opening balance	**36**	**60**	**96**
B. Increases:	**240**	**11**	**251**
B.1 Purchases	240	11	251
B.2 Capitalised expenditure on improvements [1]	-	-	-
B.7 Other changes	-	-	-
C. Decreases:	**43**	**26**	**69**
C.2 Depreciation	43	26	69
C.7 Other changes	-	-	-
D. Net closing balance	**232**	**45**	**277**
D.1 Total net write-downs	201	142	343
D.2 Gross closing balance	**434**	**187**	**621**

1 With regard to the disclosures required by IFRS 16, paragraph 53, letter h), note that no additions were made during the year to the assets consisting of rights of use.

8.7 Property, plant and equipment held for investment purposes: annual changes

No changes were recorded during the period in relation to property, plant and equipment held for investment purposes (measured at cost). Gross and net opening and closing balances, as well as the fair value measurement as at the end of the reporting period, equal €116 thousand.

8.9 Commitments to purchase property, plant and equipment

At the end of these financial statements, the Bank had no contractual commitments for purchasing property, plant and equipment.

SECTION 9 – INTANGIBLE ASSETS – ITEM 90

9.1 Intangible assets: breakdown by type of asset

Assets/Amounts	2023		2022	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill				
A.2 Other intangible assets	**23**	**-**	**48**	**-**
of which: software	**23**	**-**	**48**	**-**
A.2.1 Assets measured at cost:	23	-	48	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	23	-	48	-
A.2.2 Assets measured at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**23**	**-**	**48**	**-**

Amortisation was calculated:
- on the basis of the expected useful life at a percentage of 33.33% with regard to application software;
- applying the rate of 20% for the software of the internal data and network infrastructure.

9.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		Total
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Gross opening balance	**-**	**-**	**-**	**3,275**	**-**	**3,275**
A.1 Total net write-downs	-	-	-	3,227	-	3,227
A.2 Net opening balance	**-**	**-**	**-**	**48**	**-**	**48**
B. Increases	**-**	**-**	**-**			
B.1 Purchases	-	-	-			
B.2 Increases in intangible assets generated internally		-	-			
B.3 Write-backs		-	-			
B.4 Positive fair value changes:		-	-			
- equity		-	-			
- income statement		-	-			
B.5 Exchange gains	-	-	-			
B.6 Other changes	-	-	-			
C. Decreases	**-**	**-**	**-**	**25**		**25**
C.1 Sales	-	-	-			
C.2 Value adjustments	-	-	-	25		25
- Amortisation		-	-	25		25
- Write-downs:	-	-	-			
+ equity		-	-			
+ income statement	-	-	-			
C.3 Negative changes in fair value:	-	-	-			
- equity		-	-			
- income statement		-	-			
C.4 Transfer to non-current assets held for sale	-	-	-			
C.5 Exchange losses	-	-	-			
C.6 Other changes	-	-	-			
D. Net closing balance	**-**	**-**	**-**	**23**		**13**
D.1 Net total value adjustments	-	-	-	3,252		3,252
E. Gross closing balance	**-**	**-**	**-**	**3,275**		**3,275**
F. Measured at cost	-	-	-	-	-	-

Intangible assets are measured at cost.

9.3 Intangible assets: other information

The Bank does not have:
- Revaluated intangible assets;
- Intangible assets acquired by way of government concessions;
- Intangible assets pledged as collateral for liabilities;
- Commitments to purchase intangible assets;
- Leased intangible assets.

SECTION 10 – TAX ASSETS AND TAX LIABILITIES - ITEM 100 OF ASSETS AND ITEM 60 OF LIABILITIES

10.1 Deferred tax assets: breakdown

	2023	2022
	9,361	**13,090**
A. With contra-entry to income statement	**8,198**	**10,399**
Adjustments to loans deductible in future years	6,986	9,669
Tax losses	484	
Depreciation of buildings for operational use	48	42
Other	680	688
B. With contra-entry to equity	**1,163**	**2,691**
Financial assets measured at fair value through OCI	1,127	2,658
Other	36	33

Deferred tax assets are considered fully recoverable, taking into account the expected taxable income to be generated in subsequent periods.

10.2 Deferred tax liabilities: breakdown

	2023	2022
	5,566	**5,374**
A. With contra-entry to income statement	**4,810**	**4,807**
Provision for credit risks	4,666	4,666
Depreciation of buildings for operational use	108	108
Change in employee severance indemnities	36	33
B. With contra-entry to equity	**755**	**568**
Financial assets measured at fair value through OCI	755	568

Percentages used in the calculation of deferred taxes:

for IRES: 27.50%;
for IRAP: 5.57% for 2021, 2022, 2023 and 2024, if there is reasonable certainty of use in these periods
4.65% for the years 2025 and onwards

10.3 Change in deferred tax assets (with contra-entry to income statement)

	2023	2022
1. Opening balance	**10,399**	**13,436**
2. Increases	**639**	**195**
2.1 Deferred tax assets recognised during the period	637	162
a) related to previous periods	-	-
b) due to change in accounting policies		
c) write-backs		
d) other	637	162
2.2 New taxes or increases in tax rates		6
2.3 Other increases	2	28
3. Decreases	**2,840**	**3,232**
3.1 Deferred tax assets derecognised during the period	2,840	3,232
a) reversals	2,840	3,232
b) written down as now considered unrecoverable	-	-
c) change in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
a) transformation of tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Final balance	**8,198**	**10,399**

10.3bis Change in deferred tax assets pursuant to Law no. 214/2011

	2023	2022
1. Opening balance	**6,598**	**9,090**
2. Increases	**484**	**6**
3. Decreases	**2,171**	**2,498**
3.1 Reversals	2,171	2,498
3.2 Transformation to tax credits	-	-
a) deriving from losses for the year	-	-
b) deriving from tax losses	-	-
3.3 Other decreases	-	-
4. Final balance	**4,911**	**6,598**

10.4 Change in deferred tax liabilities (with contra-entry to income statement)

	2023	2022
1. Opening balance	**4,807**	**4,808**
2. Increases	**4**	**46**
2.1 Deferred tax liabilities recognised during the period	-	-
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	4	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	46
3. Decreases	**-**	**47**
3.1 Deferred tax liabilities derecognised during the period	-	47
a) reversals	-	47
b) due to change in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Final balance	**4,810**	**4,807**

10.5 Change in deferred tax assets (with contra-entry to equity)

	2023	2022
1. Opening balance	**2,691**	**175**
2. Increases	**41**	**2,581**
2.1 Deferred tax assets recognised during the period	41	2,581
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	41	2,581
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**1,568**	**65**
3.1 Deferred tax assets derecognised during the period	1,566	65
a) reversals	209	37
b) written down as now considered unrecoverable	-	-
c) due to change in accounting policies	-	-
d) other	1,357	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	2	28
4. Final balance	**1,163**	**2,691**

10.6 Change in deferred tax liabilities (with contra-entry to equity)

	2023	2022
1. Opening balance	**568**	**975**
2. Increases	**269**	**17**
2.1 Deferred tax liabilities recognised during the period	269	17
a) related to previous periods	-	-
b) due to change in accounting policies	-	-
c) others	269	17
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**81**	**424**
3.1 Deferred tax liabilities derecognised during the period	81	378
a) reversals	1	-
b) due to change in accounting policies	-	-
c) other [1]	81	378
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	46
4. Final balance	**755**	**568**

10.7 Other information

The item "current tax assets" amounts to €1.554m and refers for €1.550m to the net balance between the IRES and IRAP prepayments (€1.654m) and the IRAP provision for the year (€0.104m) and, for €1 thousand, to the tax credit for investments in capital goods made in 2020 and for €3 thousand to withholding tax incurred; in 2022 the item was equal to €1.120m and referred for €1.115m to the balance of IRES and IRAP prepayments made (€1.925m) and the IRES and IRAP provision for the year (€0.810m) and, for €4 thousand, to the tax credit for investments in capital goods made in 2020.

The item "current tax liabilities" was zero, as it was in 2022.

In relation to the deferred tax assets pursuant to Law no. 214/2014 of €4.9m, relating for €4.4m to adjustments to receivables deductible in future years and for €0.5m to the 2023 tax loss, by contrast it should be noted that, in compliance with the contents of the joint Bank of Italy/Ivass/Consob document of 15 May 2012, the "probability test" is considered automatically satisfied given there is substantial certainty as to their full recovery.

SECTION 12 – OTHER ASSETS – ITEMS 120

12.1 Other assets: breakdown

	2023	2022
Tax assets (indirect taxes and substitute tax)	14,179	8,530
Tax credits purchased [1]	10,369	10,169
Items in processing [2]	5,154	2,329
Various prepayments and advances	992	268
Contributions to be collected	550	665
Accrued income and prepayments	511	379
Amounts due in relation to invoices – issued or not	483	1,163
Amounts due for unpaid commissions	1	49
Other items	0	66
Total	**32,239**	**23,618**

1 The amount refers to 110% Superbonus, Ecobonus and Bonus Facciate tax credits purchased by the Bank. These credits are accounted for and valued using the criteria indicated in part A of the Notes to the Financial Statements, Section A.2, Section 16.3 "Purchase of tax credits".

2 The amount refers for €1.359m to the payment of an amount subject to revocation, for which the appeal to the Court of Cassation is pending, in addition to items to be charged on loans for instalments due on 31 December, for €3.426m.

LIABILITIES

SECTION 1 – FINANCIAL LIABILITIES MEASURED AT AMORTISED COST – ITEM 10

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

Type of transaction/Amounts	2023				2022			
	BV	FAIR VALUE			BV	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1. Amounts due to central banks	**355,204**				**519,015**			
2. Due to banks	**105,643**				**97,638**			
2.1 Current accounts and demand deposits	12,723				17,597			
2.2 Time deposits	32,715				11,874			
2.3 Loans	60,205				68,166			
2.3.1 Repurchase agreements	-				-			
2.3.2 Others	60,205				68,166			
2.4 Liabilities in respect of commitments to repurchase treasury shares	-				-			
2.5 Lease payables	-				-			
2.6 Other amounts due	-				-			
Total	**460,847**	**-**	**438,556**	**12,723**	**616,653**	**-**	**555,548**	**29,472**

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

Type of transaction/Amounts	2023				2022			
	BV	FAIR VALUE			BV	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
1 Current accounts and demand deposits	173,787				213,586			
2 Time deposits	636,309				310,236			
3 Loans	48,549				23,737			
3.1 Repurchase agreements	-				-			
3.2 Others	48,549				23,737			
4 Liabilities in respect of commitments to repurchase treasury shares	-				-			
5 Lease payables	278				96			
6 Other amounts due	16,065				18,717			
Total	**874,988**	**-**	**672,906**	**190,130**	**566,373**	**-**	**23,918**	**542,636**

1 The item "Other amounts due" includes funds managed on behalf of third parties to the amount of €16,065 thousand in 2023 and €18,717 thousand in 2022, according to supervisory regulations.

1.3 Financial liabilities measured at amortised cost: breakdown by type of debt securities in issue

Type of transaction/Amounts	2023				2022			
	BV	FAIR VALUE			BV	FAIR VALUE		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. Bonds	137,144	-	134,262	-	257,090	-	245,178	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 others	137,144	-	134,262	-	257,090	-	245,178	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 others	-	-	-	-	-	-	-	-
Total	**137,144**	**-**	**134,262**		**257,090**	**-**	**245,178**	

The Fair Value of debt securities in issue is classified under level 2 because it is determined using measurement models based on market parameters (yield curve) other than quotations of the financial instrument. This also refers to bonds that had been issued in the context of the EMTN programme and that are listed on the Luxembourg stock exchange which, according to the rules adopted by the Bank in relation to fair value hierarchy, does not make at least two recent executable prices continuously available with a bid-ask spread under an interval deemed to be consistent.

1.6 Lease payables

Items/Amounts	31/12/2023			31/12/2022		
	Minimum future payments	Present value of minimum future payments	Deferred financial income	Minimum future payments	Present value of minimum future payments	Deferred financial income
Within 1 year	69	66	3	63	62	1
1 - 5 years	206	202	5	34	34	0
Over 5 years	10	10	0	-	-	-
Total	**286**	**278**	**7**	**97**	**96**	**1**

SECTION 2 – FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 20

2.1 Financial liabilities held for trading: breakdown by type

Type of transaction/Amounts	2023					2022				
	NV	FV			FV *	NV	FV			FV *
		Lev. 1	Lev. 2	Lev. 3			Lev. 1	Lev. 2	Lev. 3	
A. Cash liabilities										
1. Due to banks										
2. Due to customers										
3. Debt securities										
3.1 Bonds										
3.1.1 Structured										
3.1.2 Other bonds										
3.2 Other securities										
3.1.1 Structured										
3.1.2 Others										
Total A										
B. Derivative instruments										
1. Financial derivatives	**43,017**		**2,019**		**2,058**	**27,832**		**2,032**		**2,062**
1.1 Held for trading			2,019					2,032		
1.2 Related to fair value option										
1.3 Others										
2. Credit derivatives										
2.1 Held for trading										
2.2 Related to fair value option										
2.3 Others										
Total B			**2,019**					**2,032**		
Total (A+B)			**2,019**					**2,032**		

Legend
FV* = fair value calculated without including value changes due to change in creditworthiness of issuer since the date of issue.

The Bank has no derivative contracts in its portfolio with its own underlying liabilities.
During the year, there were no changes in the fair value of derivatives attributable to the change in the Bank's creditworthiness.

Financial cash liabilities held for trading (excluding "uncovered short positions"): annual changes

	Financial trading derivatives
A. Opening balance	**2,032**
B. Increases	**792**
B1. Issues	-
B2. Sales	-
B3. Positive changes in fair value	551
B4. Other changes	241
C. Decreases	**805**
C1. Purchases	-
C2. Redemptions	-
C3. Negative changes in fair value	781
C4. Other changes	23
D. Closing balance	**2,019**

SECTION 6 – TAX LIABILITIES – ITEM 60

See section 10 of Assets

SECTION 8 – OTHER LIABILITIES – ITEM 80

8.1 Other liabilities: breakdown

	2023	2022
Illiquid assets	6,844	5,870
Withholdings made as tax collection agent	2,948	255
Items in processing [1]	1,457	1,774
Amounts due to suppliers	1,057	1,973
Amounts due to third parties [2]	1,051	980
Commission fees to be paid	421	474
Withholdings on employee compensation	310	259
Accrued liabilities and deferred income	139	160
Other liabilities	1	1
Total	**14,229**	**11,747**

1 These mainly refer for €786 thousand (€211 thousand in 2022) to amounts to be attributed to customer relations, for €212 thousand to payables to customers for contributions not yet collected by the facilitating body (see "Other assets") and for €0.019m to advances received from the lessees upon stipulation of capital goods lease contracts, whose leased asset has not yet been delivered (€1.180m in 2022).
2 They relate mostly to the payable for the monetisation of holidays and leave time not used of €408 thousand (€357 thousand in 2022), to the amount due for the recognition of the extra time of managerial staff of €54 thousand (€48 thousand in 2022) and to the payable for 2023 company bonuses of €98 thousand (€173 thousand in 2022).

SECTION 9 – PROVISION FOR EMPLOYEE SEVERANCE INDEMNITIES – ITEM 90

9.1 Provision for employee severance indemnities: annual changes

	2023	2022
A. Opening balance	**1,078**	**1,294**
B. Increases	**56**	**32**
B.1 Provisions for the period [1]	43	32
B.2 Other changes [2]	13	0
C. Decreases	**28**	**248**
C.1 Indemnities paid	25	96
C.2 Other changes [3]	3	153
D. Closing balance	**1,106**	**1,078**

1 The amount corresponds to the provisions shown in table 9.1 "Payroll: breakdown" of Part C "Information on the income statement".
2 In 2023 this item included the amount of the actuarial losses recognised as a contra-entry of the specific equity reserve.
3 In 2023, this item included the use to cover the substitute tax and, in 2022, the amount relating to actuarial gains recognised as a contra entry to the specific equity reserve (€134 thousand) as well as the use to cover the substitute tax (€19 thousand).

9.2 Other information

Pursuant to IAS 19 paragraphs 64 and 65, the Provision for severance indemnities is calculated utilising the "Projected Unit Credit Cost Method" (also known as accrued benefits valuation method or as benefit method/working years). According to this method, the liability is calculated in proportion to the services already rendered at the Statement of Financial Position date with respect to those which could presumably be rendered in total.
To be more precise, the work of the actuary is structured into the following phases:

- projection on the basis of a series of economic and financial hypotheses of the future amounts that could be disbursed to each employee in the case of retirement, death, disability, resignation, request for early payment, etc. The estimate includes future revaluations as for Article 2120 of the Italian Civil Code;
- calculation of the average present value of the flows regarding the future payment on the basis of the discount rate adopted and of the probability that each amount has of being disbursed;
- assessment of the pension liabilities by relating the average present value of the flows regarding the future payment to the service already rendered by the employee at the date of valuation;
- identification of the provision valid under IAS – on the basis of the determined liabilities and amounts set aside in the reserve.

According to IAS 19 paragraph 78 the discount rate must be selected so that, at the maturity dates of the amounts that are being calculated, it coincides with the guaranteed rate of return of bonds issued by leading companies and institutions.

SECTION 10 – PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	2023	2022
1. Provisions for credit risk related to commitments and financial guarantees issued	110	83
2. Provisions on other commitments and other guarantees issued	-	-
3. Post-retirement benefit obligations	-	-
4. Other provisions for risks and charges	2,667	2,565
4.1 legal disputes	1,479	1,479
4.2 personnel expenses	365	400
4.3 others	823	686
Total	**2,777**	**2,648**

10.2 Provisions for risks and charges: annual changes

The table shows the annual changes in provisions for risks and charges with the exception of those in the item "provisions for credit risk related to commitments and financial guarantees issued", which must be recognised in table A.1.4 of part E, to which reference is made.

	Provisions on other commitments and other guarantees issued	Post-retirement benefit obligations	Other provisions for risks and charges	Total
A. Opening balance	**-**	**-**	**2,565**	**2,565**
B. Increases	**-**	**-**	**665**	**665**
B.1 Provisions for the period [1]	-	-	365	365
B.2 Changes over time	-	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-	-
B.4 Other changes [2]	-	-	300	300
C. Decreases	**-**	**-**	**563**	**563**
C.1 Use during the period [3]	-	-	557	557
C.2 Changes due to discount rate adjustments	-	-	-	-
C.3 Other changes [4]	-	-	6	6
D. Closing balance	**-**	**-**	**2,667**	**2,667**

1 This amount refers to the provisions for personnel bonuses.
2 This amount relates to the portion of the net income for 2022 allocated to the provision as per Article 21 of the By-laws.
3 This amount is made up of €163 thousand for donations as per Article 21 of the By-laws and of €394 thousand for the payment of the performance bonus to personnel.
4 The amount refers to the unused portion of the provision for the 2022 staff incentive system.

10.3 Provisions for credit risk related to commitments and financial guarantees issued

	Provisions for credit risk related to commitments and financial guarantees issued			
	Stage 1	Stage 2	Stage 3	Total
Commitments to disburse funds	60	-	-	60
Financial guarantees issued	46	4	-	50
Total	**106**	**4**	**-**	**110**

10.6 Provisions for risks and charges – other provisions

The item "legal disputes" is made up of sums set-aside for uncertain expenses in connection with revocatory actions and other ongoing disputes.
The item "other provisions" covers the total amount of the provision under Article 21 of the By-laws which is at the disposal of the Board of Directors for supporting initiatives in social-economic, research, study, charitable and promotional fields.
The provision for "personnel expenses" is made up, if present, of amounts set aside to cover the cost of the personnel incentive schemes.

SECTION 12 – EQUITY OF THE COMPANY – ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.1 "Share capital" and "Treasury shares": breakdown

The fully paid up share capital is €58,484,608.00 represented by 112,470,400 ordinary shares of a nominal €0.52 each.

12.2 Share capital – Number of shares: annual changes

Item/Types	Ordinary	Other
A. Shares in issue at the beginning of the year	112,470,400	-
- fully paid up	112,470,400	-
- not fully paid up	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in issue: opening balance	**112,470,400**	**-**
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants		
- others	-	-
- on a free basis:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- others	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Sale of companies	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balance	**112,470,400**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares in issue at the end of the year	112,470,400	-
- fully paid up	112,470,400	-
- not fully paid up	-	-

12.4 Profit reserves: other information

Relating to this section, please see the "Statement of changes in equity"

The following table shows the nature and purpose of each reserve included in the equity, as per paragraph 79 of IAS 1 letter b) and Article 2427, paragraph 7-bis of the Italian Civil Code.

Nature/Description	Amount	Possible use	Available amount	of which distributable portion
Capital reserves:	**29,841**		**29,841**	**29,841**
- Additional paid-in capital [1]	29,841	A-B-C	29,841	29,841
Profit reserves:	**96,234**		**94,283**	**81,882**
- Legal reserve undistributable [2]	11,697	B	-	-
- Available legal reserve	8,394	A-B-C	8,394	8,394
- Statutory reserves	64,333	A-B-C	64,333	64,333
- Reserve under Legislative Decree no. 38/2005	2,655	A-B	2,655	-
- Reserve pursuant to IFRS 9 FTA	(9,746)		-	(9,746)
- OCI securities option disposal reserve	(35)	A-B-C	(35)	(35)
- Unavailable reserve under Article 6 Legislative Decree no. 38/2005	-		-	-
- Other reserves	18,936	A-B-C	18,936	18,936
Valuation reserves:	**9,959**		**4,318**	**-**
- Valuation reserve under Laws no. 413/91 and 342/2000	4,318	A-B	4,318	-
- Reserve under Legislative Decree no. 38/2005: revaluation of OCI securities	6,029	B	-	-
- Reserve under Legislative Decree no. 38/2005: pension plans	(389)		-	-
Total	**136,034**		**128,442**	**111,723**

Legend:
A: for share capital increases
B: to cover losses
C: for distribution to the shareholders

[1] According to Article 2431 of the Italian Civil Code, the whole amount of this reserve can be distributed only on condition that the legal reserve has reached the limit set forth by Article 2430 of the Italian Civil Code.

[2] The use of the legal reserve must comply with the limits set forth by Article 2430 of the Italian Civil Code. The undistributable portion is equal to 20% of share capital.

Proposal for the allocation of the net profit

The net profit the year 2023 amounted to €6,069,490.31.
Having said that, the Board of Directors proposes the following allocation of profit for the year:

Profit for the year	**6,069,490.31**
- non-distributable reserves under Article 6, paragraph 2 of Legislative Decree no. 38/2005 freed during the year	-
- allocation to non-distributable reserves under Article 6, paragraph 2 of Legislative Decree no. 38/2005	(214,299.85)
Distributable amount	**5,855,190.46**
- at the disposal of the Board of Directors for initiatives as per Article 21 of the By-laws	290,000.00
- dividend to distribute to shareholders (€0.024 for the 112,470,400 shares, which correspond to 4.615% of their nominal value)	2,699,289.60
- further allocation to the extraordinary reserve	2,865,900.86

OTHER INFORMATION

1. Commitments and financial guarantees issued other than those designated at fair value

Transactions	Notional value on commitments and financial guarantees issued				2023	2022
	Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
Commitments to disburse funds	**16,840**	**-**	**-**	**-**	**16,840**	**11,235**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial corporations	9,760	-	-	-	9,760	6,531
e) Non-financial corporations	7,081	-	-	-	7,081	4,704
f) Families	-	-	-	-	-	-
Financial guarantees issued	**10,651**	**1,033**	**-**	**-**	**11,684**	**8,471**
a) Central Banks	-	-	-	-	-	-
b) Public administrations	-	-	-	-	-	-
c) Banks	-	1,033	-	-	1,033	1,033
d) Other financial corporations	587	-	-	-	587	1,024
e) Non-financial corporations	10,064	-	-	-	10,064	5,414
f) Families	-	-	-	-	-	1,000

3. Assets used to guarantee own liabilities and commitments

Portfolios	2023	2022
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	39,883
3. Financial assets measured at amortised cost	698,948	754,080
4. Property, plant and equipment	-	-
of which: Property, plant and equipment that constitute stocks	-	-

Eurosystem credit operations

Securities not reported in assets in the statement of financial position to guarantee borrowings

Loans and advances to customers to guarantee mortgage borrowings

Full information on the activities recorded and not registered in the accounts pledged as collateral for liabilities and loans (including credit operations with the Eurosystem), is given in the sections "Disclosure on on-balance sheet assets pledged as a guarantee" and "Disclosure on off-balance sheet own assets pledged as a guarantee" (Part E, Sec. 4).

4. Management and brokerage on behalf of third parties

Type of services	2023	2022
1. Trading of financial instruments on behalf of customers	-	-
a) Purchases	-	-
1. settled	-	-
2. not settled	-	-
b) Sales	-	-
1. settled	-	-
2. not settled	-	-
2. Individual portfolio management		
3. Custody and administration of securities	**595,360**	**568,513**
a) third party securities on deposit: connected with performance as custodian bank (excluding asset management)	-	2,000
1. securities issued by the Bank that prepares the financial statements	-	-
2. other securities	-	2,000
b) third-party securities on deposit (excluding portfolio management): other	39,739	58,351
1. securities issued by the Bank that prepares the financial statements	27,775	27,775
2. other securities	11,964	28,576
c) third-party securities on deposit with third parties	11,964	28,576
d) own securities on deposit with third parties [1]	555,621	508,162
4. Other transactions	**261**	**301**
of which: Transactions on behalf of the Autonomous Provinces	*-*	*40*
Risk provisions set up by various entities	*260*	*260*
Management of state contributions under Law no. 488/92	*1*	*1*

1 This item includes Senior, Mezzanine and Junior securities originating from the securitisation transaction and lodged with Cassa Centrale Banca S.p.A. for the overall amount of €3.4m in 2023 and €4.2m in 2022.

Financial cash assets: annual changes

The following table shows the annual changes in the debt securities, equity securities and investments in UCITS in the Bank's portfolio.

	FVTPL	FVTPL	OCI Option	HTCS	HTC	Total
	Debt securities	Investments in UCITS	Equity securities	Debt securities	Debt securities	
A. Opening balance	**1,287**	**16,550**	**52,986**	**101,479**	**422,424**	**594,726**
B. Increases	**162**	**2,055**	**6,357**	**354,860**	**73,368**	**436,705**
B1. Purchases		1,216	2,163	348,860	72,016	424,255
B2. Positive changes in fair value	76	840	4,194	2,795	-	7,905
B3. Write-backs due to impairment [1]				3	1,248	1,251
B4. Gains on sale:					14	14
- income statement [2]					14	14
- in equity						-
B5. Transfers from other portfolios						
B6. Other changes [3]	86			3,105	90	3,280
C. Decreases	**86**	**979**	**1,664**	**268,441**	**114,556**	**385,727**
C1. Sales			13	20,625	45,904	66,542
C2. Redemptions	86	369		244,472	65,911	310,837
C3. Negative changes in fair value	0	610	1,614	87		2,311
C4. Adjustments due to impairment[1]				23	979	1,002
C5. Capital loss on sale:			37	1,465	1	1,503
- income statement				1,465	1	1,465
- in equity			37			37
C5. Transfers to other portfolios						
C6. Other changes [5]				1,770	1,762	3,532
D. Closing balance	**1,362**	**17,626**	**57,680**	**187,801**	**381,236**	**645,704**

1 The items B3. and C4. include adjustments/write-backs due to impairment; for HTCS securities this amount was recognised as a contra-entry to the valuation reserve and is therefore included, with a reverse sign, in items B6. and C6.
2 This item includes the capital gains realised during the year.
3 This item includes:
- with regard to FVTPL debt securities, the change in amortised cost.
- with regard to HTCS debt securities, in addition to the aforementioned effect of value adjustments due to impairment (€23 thousand), the change in amortised cost (€969 thousand) and the reversal of the positive reserve following the sale of government securities (€2.113m)
- with regard to HTC debt securities, the change in amortised cost.

5 This item includes:
- with regard to HTCS debt securities, in addition to the aforementioned effect of write-backs due to impairment (€0.3 thousand), the change in amortised cost (€1.767m);
- with regard to HTC debt securities, the change in amortised cost.

PART C
INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST – ITEMS 10 AND 20

1.1 Interest income and similar revenues: breakdown

Items/Technical Forms	Debt securities [1]	Lo-ans	Other transactions	Total 2023	Total 2022
1. Financial assets measured at fair value through profit or loss	86	2	-	88	92
1.1 Financial assets held for trading					
1.2 Financial assets designated at fair value					
1.3 Other financial assets mandatorily measured at fair value	86	2	-	88	92
2. Financial assets measured at fair value through other comprehensive income	5,152			5,152	987
3. Financial assets measured at amortised cost	8,107	44,495	-	52,602	28,216
3.1 Loans and advances to banks	506	-		506	446
3.2 Loans and advances to customers	7,601	44,495		52,096	27,771
4. Hedging derivatives			-	-	-
5. Other assets			422	4223	352
6. Financial liabilities [2]				-	370
Total	**13,344**	**44,497**	**422**	**58,264**	**30,018**
of which: interest income on impaired assets	17	1,279		1,296	745
of which: interest income on finance leases		7,092		7,092	3,022

Changes in connection with interest income – with respect to the results of the period of comparison (2022) – are shown in the Report on Operations in the section "Income statement dynamics", to which reference should be made.
We also state that:

1 Interest income on debt securities consist of:
- coupons collected on a subordinated bond issued by an insurance counterparty (item Other financial assets mandatorily measured at fair value) purchased by the Bank with the aim of financing the issuer and on a mezzanine tranche issued as part of an NPLs securitisation transaction carried out at the end of 2020, which did not pass the SPPI test;
- paid coupons of bonds issued by non-banking concerns (see item "financial assets measured at amortised cost - loans and advances to customers") that the Bank purchased for the purpose of financing the issuers;
- paid coupons of government bonds and bonds issued by banks (see item "financial assets measured at fair value through other comprehensive income", item "loans and advances to banks" and item "loans and advances to customers") purchased by the Bank with the intention of using them as collateral for loans by the European Central Bank or other counterparties.

Their balances are shown on tables 2.5, 3.1, 4.1 and 4.2 of Part B – Section 2, 3 and 4, respectively.

2 In 2022 interest on financial liabilities represented amounts accrued on current accounts and demand deposits: their balances are shown on table 1.1 of Part B – Section 1 of liabilities of the 2022 financial statements, to which reference is made. These also included the accrual on TLTRO-III operations with the ECB.

The line "of which: interest income on impaired assets" includes only interest calculated on the basis of the effective interest rate, including interest due to the passage of time, determined with reference to the interest accrued over the entire year on positions held by customers classified as at 31 December 2023 as impaired loans (doubtful, unlikely to pay, past due loans). For information purposes, note that interest on arrears received during the year on the same transactions amounted to €324 thousand (€303 thousand in 2022).

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets denominated in currency

	2023	2022
Interest income from financial assets denominated in currency	-	45

1.3 Interest expense and similar charges: breakdown

Items/Technical Forms	Amounts due	Securities [1]	Other Transactions	Total 2023	Total 2022
1. Financial liabilities measured at amortised cost	33,983	3,503	-	37,486	9,200
1.1 Due to central banks	-			-	-
1.2 Due to banks	17,027			17,027	1,212
1.3 Due to customers	16,956			16,956	3,970
1.4 Debt securities in issue		3,503		3,503	4,019
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions			16	16	18
5. Hedging derivatives			-	-	-
6. Financial assets				-	-
Total	**33,983**	**3,503**	**16**	**37,502**	**9,218**
of which: interest expense related to lease payables				3	1

Changes in connection with interest expense – with respect to the results of the period of comparison (2023) - are shown in the Report on Operations in the section "Income statement dynamics", to which reference should be made.
We also state that:

1 Interest expense accrued on securities relates to bonds issued by the Bank and classified under item 10.c of liabilities in the statement of financial position. Interest expense has been calculated – in relation to items recognised at amortised cost – using the effective interest rate method;

1.4 Interest expense and similar charges: other information

1.4.1 Interest expense on liabilities denominated in currency

	2023	2022
Interest expense on liabilities denominated in currency	-	-

SECTION 2 - FEES & COMMISSIONS – ITEMS 40 & 50

2.1 Commission income: breakdown

Type of services/Amounts	2023	2022
a) Financial instruments	-	-
1. Placement of securities	-	-
1.1. With underwriting and/or on based on an irrevocable commitment	-	-
1.2. Without irrevocable commitment	-	-
2. Collection and transmission of orders and execution of orders on behalf of customers	-	-
2.1 Collection and transmission of orders of one or more financial instruments	-	-
2.2 Execution of orders on behalf of customers	-	-
3. Other commissions connected with activities linked to financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	646	790
1. Mergers and acquisitions consultancy	-	-
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	646	790
c) Investment consultancy	-	-
d) Clearing and settlement	-	-
e) Custody and administration	-	-
1. Custodian bank	-	-
2. Other commissions associated to custody and administration	-	-
f) Central administrative services for collective portfolio management	-	-
g) Fiduciary activity	-	-
h) Payment services	1	13
1. Current accounts	1	2
2. Credit cards	-	-
3. Debit and other payment cards	-	-
4. Wire transfers and other payment orders	-	-
5. Other commissions associated to payment services	-	10
i) Distribution of third party services	-	-
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	-	-
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Securitisation servicing	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	66	171
of which: credit derivatives	-	-
n) Financing transactions	1,632	1,362
of which: factoring transactions	-	-
o) Dealing in currency	-	-
p) Goods	-	-
q) Other fee and commission income	-	-
of which: for the management of multilateral trading facilities	-	-
of which: for the management of organised trading facilities	-	-
Total	**2,345**	**2,335**

Changes of single items with respect to the data for the period of comparison (2022) are illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

2.3 Commission expense: breakdown

Services/Amounts	2023	2022
a) Financial instruments		-
of which: trading of financial instruments		-
of which: placement of financial instruments		-
of which: individual portfolio management		-
- own portfolio		-
- delegated to third parties		-
b) Clearing and settlement		-
c) Custody and administration	25	23
d) Collection and payment services	3	2
of which: credit, debit and other payment cards		-
e) Securitisation servicing		-
f) Commitments to receive funds		-
g) Financial guarantees received	52	39
of which: credit derivatives		-
h) Door-to-door distribution of financial instruments, products and services		-
i) Dealing in currency		-
j) Other commission expenses [1]	749	570
Total	**829**	**635**

Changes of single items with respect to the data for the period of comparison (2022) are adequately illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

1 Of which, €453 thousand is for commissions to guarantee funds, €180 thousand is for the Raisin intermediation platform and €86 thousand is for the processing service of funding applications.

SECTION 3 – DIVIDENDS AND SIMILAR INCOME – ITEM 70

3.1 Dividends and similar income: breakdown

Items/Income	2023		2022	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading			-	-
B. Financial assets mandatorily measured at fair value			-	-
C. Financial assets measured at fair value through other comprehensive income [1]	2,846		2,577	-
D. Equity investments			-	
Total	**2,846**		**2,577**	**-**

1 Changes of single items with respect to the data for the period of comparison are illustrated and explained in the Report on Operations in the section "Income statement dynamics", to which reference should be made.

All dividends and similar income shown in the table refer to investments held at the end of the reporting period.

Section 4 – Net trading income – Item 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A) [1]	Trading Profits (B) [2]	Capital losses (C) [3]	Trading losses (D) [4]	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 Investments in UCITS	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Amounts due	-	-	-	-	-
2.3 Others	-	-	-	-	
3. Other financial assets and liabilities: exchange differences					**-**
4. Derivatives	**1,349**	**1,692**	**1,341**	**1,560**	**140**
4.1 Financial derivatives:	1,349	1,692	1,341	1,560	140
- On debt securities and interest rates	1,349	1,692	1,341	1,560	140
- On equity securities and share indices					
- On currencies and gold					
- Other					
4.2 Credit derivatives					
of which: natural hedges related to the fair value option					
Total	**1,349**	**1,692**	**1,341**	**1,560**	**140**

1 The item "Capital gains" includes positive fair value changes accrued on Cap options purchased by banks for €0.568m and the negative fair value changes on Cap options sold to customers for €0.781m.
2 The item "Trading profits" includes the premium collected for the sale of cap options to customers for €1.087m and for the early closure of a cap option purchased from banks for €26 thousand and the spreads on the options purchased from banks for €0.579m.
3 The item "Capital losses" includes positive fair value changes accrued on Cap options sold to customers for €0.551m and the negative fair value changes on Cap options purchased by banks for €0.790m thousand.
4 The item "Trading losses" includes the premium paid for the purchase from banks of cap options for €0.959m and for the early closure of a cap option sold to customers for €22 thousand and the spreads on options sold to customers for €0.579m.

Section 6 – Gains (losses) on disposal/repurchase – Item 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items/Income components	2023		
	Gains	Losses	Net result
A. Financial assets	122	4,005	(3,883)
1. Financial assets measured at amortised cost:	118	2,536	(2,418)
1.1 Loans and advances to banks			
1.2 Loans and advances to customers [1]	118	2,536	(2,418)
2. Financial assets measured at fair value through other comprehensive income	4	1,469	(1,465)
2.1 Debt securities [2]	4	1,469	(1,465)
2.2 Loans			
Total assets	**122**	**4,005**	**(3,883)**
B. Financial liabilities measured at amortised cost			
1. Due to banks			
2. Due to customers			
3. Debt securities in issue			
Total liabilities			

1 With regard to profits, the amounts mainly refer to the capital gain resulting from the sale of NPLs for €0.095m; as regards losses, the amounts refer to the capital loss deriving from the sale of government bonds.
2 The amounts relate to the capital losses realised on the sale of government securities.

Items/Income components	2022 Gains	2022 Losses	2022 Net result
A. Financial assets	2,436	3,242	(806)
1. Financial assets measured at amortised cost:	1,812	2,191	(379)
1.1 Loans and advances to banks			
1.2 Loans and advances to customers [1]	1,812	2,191	(379)
2. Financial assets measured at fair value through other comprehensive income	624	1,052	(427)
2.1 Debt securities [2]	624	1,052	(427)
2.2 Loans			
Total assets	**2,436**	**3,242**	**(806)**
B. Financial liabilities measured at amortised cost		89	(89)
1. Due to banks			
2. Due to customers			
3. Debt securities in issue		89	(89)
Total liabilities		**89**	**(89)**

1 The amounts relate to the capital gain resulting from the sale of government securities for €1.812m, the capital loss resulting from the sale of government securities for €1.514m and the capital loss resulting from the sale of NPLs for €0.676m.
2 The amounts refer to the capital gains realised on the sale of government securities for €0.146m, the exchange gains (€0.478m) and the capital loss on sale (€0.533m) arising from the sale of a bank bond denominated in dollars, as well as the capital loss on the sale of government securities for €0.518m.

SECTION 7 - NET CHANGE IN FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.2 Net change in other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income components	Capital gains (A) [1]	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**916**	**-**	**611**	**-**	**305**
1.1 Debt securities	76[1]	-	1	-	75
1.2 Equity securities	-	-	-	-	-
1.3 Investments in UCITS	840[2]	-	610[3]	-	230
1.4 Loans	-	-	-	-	-
2. Other financial assets and liabilities: exchange differences					**-**
Total	**916**	**-**	**611**	**-**	**305**

1 The amount refers to the positive change in fair value of the ITAS Mutua bond.
2 The amount refers to the positive change in fair value on the units of the Finint Fenice fund for €675 thousand, on the units of the HAT Technology & Innovation fund for €79 thousand, on the units of the closed-end Equita Private Debt II for €54 thousand and on the units of the PMI Italia II fund for €32 thousand.
3 The amounts refer to the negative change in fair value of the units of the Assietta Private Equity III fund for €280 thousand, the Assietta Private Equity IV fund for €28 thousand, the Industry 4.0 fund for €163 thousand, the Value Italy 3 fund for €79 thousand, the Sviluppo PMI II fund for €3 thousand, the Nextalia Private Equity fund for €23 thousand, the Sustainable Securities Fund for €15 thousand and the Ver Capital Sinloc Transition Energy for €18 thousand.

No write-downs or losses from disposal were recognised during the year due to loan impairment of the debtor/issuer.

SECTION 8 – NET ADJUSTMENTS DUE TO CREDIT RISK – ITEM 130

8.1 Net adjustments due to credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage .	Acquired or originated impaired		
			Write-off	Other	Write-off	Other						
A. Loans and advances to banks	(33)	-	-	-			5	-	-		(28)	(11)
- loans	(33)	-	-	-			-	-	-		(33)	2
- debt securities	-	-	-	-			5	-	-		5	(13)
B. Loans and advances to customers	(72)	-	(239)	(12,171)			840	1,003	10,355		(283)	(3,471)
- loans	-	-	(239)	(12,171)			840	705	10,326		(539)	(2,546)
- debt securities	(72)	-	-	-			-	299	29		256	(925)
Total [1]	**(105)**	**-**	**(239)**	**(12,171)**			**844**	**1,003**	**10,356**		**(311)**	**(3,482)**

1 Total adjustments for a total of €311 thousand coincide, net of write-backs due to time-reversal (€243 thousand) and the value adjustments on interests (€49 thousand) which are included in the financial statement in item "10. Interest income", with the item "Value adjustments on HTC loans and advances" (€112 thousand of adjustments) in the table summarising the valuation of assets in the financial statements shown in the Report on Operations, net of profits from contractual amendments (€4 thousand), which in the financial statements are included in item "140. Profits/losses from contractual changes without derecognitions".

Net adjustments due to credit risk relating to new liquidity granted through public guarantee mechanisms issued in relation to the COVID-19 context: breakdown

Transactions/Income components	Net value adjustments						Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired			
			Write-off	Other	Write-off	Other		
Loans	120	117		271			508	252
Total	**120**	**117**	**271**	**271**			**508**	**252**

8.2 Net adjustments due to credit risk relating to financial assets measured at fair value through other comprehensive income: breakdown

Transactions/Income components	Value adjustments (1)						Write-backs (2)				Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Acquired or originated impaired		Stage 1	Stage 2	Stage 3	Acquired or originated impaired		
			Write-off	Other	Write-off	Other						
A. Debt securities	(23)	-	-	-	-	-	-	-	-	-	(23)	(11)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total [1]	**(23)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23)**	**(11)**

1 The total of €23 thousand in adjustments coincides with the item "Value adjustments on HTCS debt securities" in the table summarising the measurement of assets in the financial statements shown in the report on operations.

8.2a Net adjustments due to credit risk relating to loans measured at fair value through other comprehensive income, subject to COVID-19 support measures: breakdown

The Bank has no loans measured at fair value through other comprehensive income in its portfolio.

SECTION 9 - PROFITS/LOSSES FROM CONTRACTUAL CHANGES WITHOUT DERECOGNITIONS - ITEM 140

9.1 Profits (losses) from contractual changes: breakdown

	Value adjustments	Write-backs	Total 2023	Total 2022
Loans and advances to customers	(1)	5	4	18

SECTION 10 – ADMINISTRATIVE COSTS – ITEM 160

10.1 Payroll: breakdown

Type of expenses/Amounts	Total 2023	Total 2022
1) Employees	7,289	6,949
a) wages and salaries	5,024	4,802
b) social insurance	1,349	1,293
c) severance indemnities [1]	312	283
d) social security contributions	-	-
e) provision for severance indemnities	43	32
f) provision for post-retirement benefits and other obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external supplementary pension funds:	179	165
- defined contribution [2]	179	165
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other employee benefits	382	375
2) Other personnel currently employed	-	-
3) Directors and Auditors	579	505
4) Retired personnel	-	-
5) Cost recovery in relation to employees seconded to other companies	-	-
6) Cost recovery in relation to third party employees seconded to the company	-	-
Total	**7,868**	**7,454**

1 In accordance with implementing rules issued by the Bank of Italy, this item is made up of amounts of severance indemnities paid out directly to INPS (National Social Security Institute) and to other externally defined contribution funds.
2 This amount includes contributions to the supplementary pension schemes.

10.2 Average number of employees by category [1]

	2023	2022
Employees:	**80**	**77**
a) executives	5	5
b) managerial staff	37	36
c) remaining employees	38	36
Other personnel	-	-

1 The annual average is calculated as the weighted average of employees where the weight is given by the number of months worked in the year.

In order to give a better representation of the Bank's workforce, the table below shows the average number of employees calculated taking into account the actual number of hours for each part-time contract.

	2023	2022
Employees:	**83.2**	**81.0**
a) executives	5.0	5.0
b) managerial staff	37.6	37.1
c) remaining employees	40.6	38.8
Other personnel	-	-

10.4 Other employee benefits

	2023	2022
Insurance policies	176	182
Training	22	27
Lunch vouchers	96	96
Costs for early termination of employment	9	-
Benefits in kind	14	15
Other short-term benefits	65	54
Total	**382**	**375**

10.5 Other administrative costs: breakdown

	2023	2022
1. IT costs	**1,523**	**1,055**
- outsourcing costs	1,337	770
- other EDP (Electronic Data Processing) costs	186	285
2. Property related expenses	**325**	**348**
a) rental expenses	11	7
- property rental expenses	*11*	*7*
b) other expenses	314	340
- premises cleaning and sanitation	*72*	*68*
- building service charges	*52*	*43*
- maintenance and repair costs	*39*	*48*
- electricity, heating, water	*83*	*121*
- motor vehicles maintenance	*69*	*60*
3. Purchase of non-professional goods and services	**250**	**218**
- books, magazines, subscriptions	19	18
- information and cadastral services	57	53
- stationery and printed matter	8	5
- surveillance	2	2
- databases and value-added networks	132	106
- post and telephones	30	34
4. Purchase of professional services	**487**	**892**
- legal and procedural costs	105	185
- professional fees	382	706
5. Insurance premiums	**19**	**19**
- other insurance policies	19	19
6. Advertising expenses	**353**	**335**
- advertising and sponsorships	329	312
- entertainment and gifts	24	23
7. Indirect taxes and duties	**833**	**534**
- substitute tax	62	41
- stamp duty		
- registration tax and dues	30	32
- tax on real estate	45	47
- other taxes and duties (advertising, TOSAP - tax on occupation of public spares and areas)	695	415
8. Other	**1,246**	**1,357**
- contributions to the banking crisis resolution fund and interbank deposit protection fund (FITD)	994	1,108
- membership fees [1]	120	135
- other expenses	132	115
Total	**5,036**	**4,758**

1 For the most part, it includes the membership fees for ABI, Federazione Trentina delle Cooperative and Assilea, supervisory contributions to ECB, SRB and CONSOB, FITD and AGCM operating expenses.

Disclosure under IFRS 16 about costs related to short-term leases (see paragraph 53, letter c), costs related to low-value leases (see paragraph 53, letter d)) and costs for variable lease payments not included in the measurement of lease liabilities (see paragraph 53, letter e).

	2023	2022
Costs related to short-term leases	**-**	**-**
- buildings	-	-
- vehicles	-	-
Costs related to low-value leases	-	-
Variable lease payments not included in the measurement of lease liabilities	**28**	**24**
- buildings	1	-
- vehicles	27	24

SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 170

11.1 Net provisions for credit risk relating to commitments to disburse funds and financial guarantees issued: breakdown

	Total 2023	Total 2022
Provision for guarantees issued	(3)	(13)
Provision for commitments	(23)	16
Total	**(26)**	**3**

11.3 Net provisions for risks and charges: breakdown

	Total 2023	Total 2022
Provision for personnel incentive schemes	(359)	(389)
Net provisions for legal disputes underway	-	41
Total	**(359)**	**(348)**

SECTION 12 – NET ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT – ITEM 180

12.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Property, plant and equipment	(454)			(454)
1 For operational use	(454)			(454)
- Owned	(385)			(385)
- Rights of use acquired under leases	(69)			(69)
2 Held for investment purposes				
- Owned				
- Rights of use acquired under leases				
3 Inventory				
Total	**(454)**			**(454)**

SECTION 13 – NET ADJUSTMENTS TO INTANGIBLE ASSETS – ITEM 190

13.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Intangible assets	(25)			(25)
of which: software	(25)			
A.1 Owned	(25)			(25)
- Generated internally by the company				
- Others	(25)			(25)
A.2 Rights of use acquired under leases				
Total	**(25)**			**(25)**

SECTION 14 – OTHER OPERATING CHARGES/INCOME – ITEM 200

14.1 Other operating charges: breakdown

	Total 2023	Total 2022
Self-securitisation costs refunded to the SPV	-	(26)
SPV ongoing operating expenses	-	(36)
Sundry operating expenses	(13)	(58)
Total	**(13)**	**(119)**

14.2 Other operating income: breakdown

	Total 2023	Total 2022
Recovery of procedural expenses	88	172
Servicer commission income in relation to self-securitisation	-	26
Expenses refund and tax recovery [1]	619	457
Sundry operating income	138	114
Total	**857**	**769**

1 The amount includes the recovery of stamp duty on current accounts and deposits for €557 thousand in 2023 and €386 thousand in 2022.

SECTION 15 – PROFIT (LOSS) FROM EQUITY INVESTMENTS – ITEM 220

15.1 Profit (loss) from equity investments: breakdown

Income items/Amounts	2023	2022
A. Income	**214**	**-**
1. Write-ups[1]	214	-
2. Gain on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	**-**	**-**
1. Write-downs	-	-
2. Adjustments due to impairment	-	-
3. Loss on disposal	-	-
4. Other charges	-	-
Net result	**214**	**-**

1 Income deriving from the application of the equity method to the valuation of equity investments in the portfolio refer to the subsidiary Paradisidue S.r.l.

SECTION 18 – GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 250

18.1 Gains (losses) on disposal of investments: breakdown

Income items/Amounts	2023	2022
A. Buildings	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-	0
- Gains on disposal [1]	-	0
- Losses on disposal	-	-
Net result	**-**	**0**

1 This item relates to gains on the sale of fully depreciated property, plant and equipment of €235 in 2022.

SECTION 19 – INCOME TAXES ON CURRENT OPERATIONS – ITEM 270

19.1 Income taxes on current operations: breakdown

	Items/Amounts	Total 2023	Total 2022
1.	Current taxes (-)	-104	-810
2.	Change in current taxes of previous periods (+/-) [1]	-266	+1,356
3.	Decrease in current taxes of the period (+)		
3.bis	Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011 (+)		
4.	Change in deferred tax assets (+/-) [2]	-2,203	-3,064
5.	Change in deferred tax liabilities (+/-) [3]	-4	+47
6.	**Income taxes for the period (-)** (-1+/-2+3+3*bis*+/-4+/-5)	**(2,578)**	**(2,471)**

1 For 2023, the value shown in the item "change in current taxes from previous years" (-€0.266m) is due to the recalculation of 2021 taxes due to a calculation error in their calculation while, for 2022 (+€1.356m), it is due to the recalculation of 2021 taxes, carried out at the time of the balance payment, which took into account a changed regulatory context.

2 The amount shown under the item "change in deferred tax assets" (-€2,203 thousand) corresponds to what was shown in table 10.3 "Change in deferred tax liabilities (with contra-entry to the income statement)" as balance of items "2. Increases" (€639 thousand) and "3. Decreases" (€2,840 thousand) net of the amount shown in item 2.3 "Other increases" (€2 thousand) relating to the reclassification from Equity to the Income Statement of deferred tax assets on OCI reserves on disposal.

3 The amount shown under the item "change in deferred tax liabilities" (-€4 thousand) corresponds to what was shown in table 10.4 "Change in deferred tax liabilities (with contra-entry to the income statement)" in item "2. Increases" (€4 thousand).

19.2 Reconciliation between theoretical tax charge and actual tax charge

Items/Amounts		Taxable	Tax	Rates
Profit on current operations before taxes (item 250 IS)		**8,647**		
Corporate income tax (IRES) – theoretical values:			**(2,378)**	
IRES variation due to decreases in the taxable income		(11,211)	+3,083	
IRES variation due to increases in the taxable income		+804	(221)	
Tax profit - 2023		**(1,760)**		
Use of ACE			-	
Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011			-	
Change in taxes of previous periods			(249)	
A. Actual tax charge – current corporate income tax (IRES)		**(1,760)**	**(249)**	
Increases in deferred tax assets			+619	
Decreases in deferred tax assets			(2,527)	
Increases in deferred tax liabilities			(4)	
Decreases in deferred tax liabilities			-	
B. Total effect of deferred corporate income tax (IRES)			**(1,911)**	
C. Total actual IRES charge (A+B)			**(2,160)**	**24.98**
Net interest and other banking income		**21,687**	**(1,008)**	
Deductible expenses		(11,404)	+530	
Regional tax on industrial activities IRAP – application of nominal tax rate **(difference between net interest and other banking income and deductible expenses)**		**10,283**	**(478)**	
IRAP variation due to a decrease in production value		(9,204)	+428	
IRAP variation due to an increase in production value		+1,168	(54)	
Net value of production - 2023		**2,247**	**(104)**	
Change in taxes of previous periods			(17)	
Decrease in current taxes in the year for tax credits pursuant to Law no. 214/2011			-	
D. Actual tax charge – Current regional tax on industrial activities (IRAP)			**(122)**	
Increases in deferred tax assets			+18	
Decreases in deferred tax assets			(314)	
Increases in deferred tax liabilities			-	
Decreases in deferred tax liabilities			-	
E. Total effect of deferred regional tax on industrial activities (IRAP)			**(296)**	
F. Total actual IRAP charge	**(D+E)**		**(417)**	**4.83**
Total current IRES/IRAP taxes (item 270 IS)	**(A+D)**		**(371)**	
Total actual IRES/IRAP tax charges (item 260 IS)	**(C+F)**		**(2,578)**	**29.81**

SECTION 21 – OTHER INFORMATION

Parent company: exemption from the requirement of drawing up the consolidated financial statements

The Bank, in compliance with the legislation in force (Legislative Decree no. 356/1990) and with the regulations of the Supervisory Authority, is the parent company of "Gruppo Bancario Mediocredito Trentino–Alto Adige S.p.A.", duly registered with the Banking Group Register at the Bank of Italy. The real estate company Paradisidue S.r.l., 100% controlled, is also part of the Group.
The Bank does not prepare consolidated financial statements as the consolidation of the subsidiary Paradisidue S.r.l. (assets as at 31/12/2023 of €8.0m) is not deemed significant to the improvement of the disclosures provided (IAS 8 and paragraphs 26, 29, 30 and 44 of the "Systematic Framework for the Preparation and Presentation of Financial Statements" or Framework). The subsidiary owns buildings, whose value, appropriately estimated, corresponds to market values and the equity investment is booked in the financial statements of the Bank at equity.
Additionally, since the volume of business of its subsidiary is below the set threshold Mediocredito is not required to submit to the Bank of Italy consolidated statistical reports under the existing supervisory regulations.

SECTION 22 – EARNINGS PER SHARE

22.1 Average number of ordinary shares on the dilution of share capital

During the year 2023, there was no dilution of Mediocredito's share capital as neither the number of its ordinary shares nor their nominal value changed. The average number of shares is therefore 112,470,400, equal to the exact value.

22.2 Other information

Taking into consideration the profit for the year of €6.069m, the profit per share is €0.0540.

	2023	2022
Earnings (loss) per share	0.0540	0.0537
Diluted earnings (loss) per share	0.0540	0.0537

PART D COMPREHENSIVE INCOME

ANALYTICAL STATEMENT OF COMPREHENSIVE INCOME

	Items	2023	2022
10.	**Net income (loss) for the year**	**6,069**	**6,043**
	Other income components without reversal to income statement	**+2,373**	**(3,443)**
20.	Equity securities designated at fair value through other comprehensive income:	+2,543	(3,757)
	a) Fair value change	+2,543	(3,757)
	b) Transfers to other shareholders' equity components	-	-
30.	Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness):		
	a) fair value change		
	b) transfers to other shareholders' equity components		
40.	Coverage of equity securities designated at fair value through other comprehensive income:		
	a) fair value change (hedged instrument)		
	b) fair value change (hedging instrument)		
50.	Property, plant and equipment		
60.	Intangible assets		
70.	Defined benefit plans	(13)	+134
80.	Non-current assets and groups of assets held for sale		
90.	Portion of valuation reserves from equity investments measured at equity		
100.	Income taxes relating to other income components without reversal to income statement	(157)	+180
	Other income components with reversal to income statement	**+3,284**	**(5,750)**
110.	Hedges of foreign investments:		
	a) fair value changes		
	b) reversal to income statement		
	c) other changes		
120.	Exchange differences:		
	a) changes in value		
	b) reversal to income statement		
	c) other changes		
130.	Cash flow hedges:		
	a) fair value changes		
	b) reversal to income statement		
	c) other changes		
	of which: result of net positions		
140.	Hedging instruments (elements not designated):		
	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:	+4,841	(8,475)
	a) fair value changes	+2,708	(8,516)
	b) reversal to income statement	+2,132	+41
	- net adjustments to credit risk	+19	+11
	- capital gains/losses	+2,113	+30
	c) other changes		
160.	Non-current assets and groups of assets held for sale:		
	a) fair value changes		
	b) reversal to income statement		
	c) other changes		
170.	Portion of valuation reserves from equity investments measured at equity:		
	a) fair value changes		
	b) reversal to income statement		
	- adjustments due to impairment		
	- capital gains/losses		
	c) other changes		
180.	Income taxes relating to other income components with reversal to income statement	**(1,556)**	**+2,725**
190.	**Total other income components**	**+5,657**	**(9,193)**
200.	**Comprehensive income (10+190)**	**11,727**	**(3,151)**

PART E
INFORMATION ON RISKS AND RELATED HEDGING POLICIES

INTRODUCTION

As mentioned earlier, given its size and its business model that is primarily focused on medium to long-term credit, the Bank's risks are generally related to credit risk and liquidity risk. Market risk - concentrated in the banking book - is largely attributable to the portfolio of Italian government securities, most of which were deposited with the Bank of Italy and other financial intermediaries to guarantee financing operations. Operational risks are less impactful. For a more thorough examination of the system of controls and risk management, please refer to the following sections as well as the sections of the report on operations dedicated to these issues.
In 2023, the Bank maintained its system of controls, planning and management of risks to comply with the innovations included in the updates of Bank of Italy Circular no. 285/2013. The management is committed to include objectives linked to the promulgation of risk culture, as part of the company policies and staff training and evaluation.

SECTION 1 – CREDIT RISK

QUALITATIVE INFORMATION

1. GENERAL ASPECTS

The credit risk to which the Bank is exposed derives mainly from the typical activity of granting medium/long-term loans to businesses, in different technical forms and largely secured by the necessary suitable guarantees.
However, we point out that at the date of this annual report the Bank was not exposed either directly or indirectly to the credit products of the ABS (*Asset Backed Securities*) and CDO (*Collateralised Debt Obligation*) type linked to *sub-prime* and Alt-A loans or to financial products that the market perceives as risky.

Impacts deriving from geopolitical and energy crises

In terms of credit risk, the Risk Management Department carried out an in-depth analysis of the portfolio in terms of risk by segment, focusing on the Bank's lending operations in the forborne category and, in the context of this transversal analysis, a specific assessment of the phenomenon in the sectors most exposed to the consequences of the current energy and war crises, identified - in consideration of the operations of the Bank and the economy of the reference territories - in those related to exports to Russia and in the energy-intensive sectors.
This activity was carried out with the aim of providing the Management and the Board of Directors with a snapshot of the scope and the current composition of the portfolios under analysis, showing the breakdown in terms of customers' operating segments, geographical location, degree of risk and presence of collateral guarantees; some monitoring indicators were also used (such as, for example, the Rating classes of the IFRS 9 Impairment Model) with the aim of identifying transactions with potential critical areas to be monitored. No particular risk phenomena emerged from the analyses.

2. CREDIT RISK MANAGEMENT POLICY

2.1 Organisational aspects

Credit risk is defined as the risk of facing an unexpected loss/impairment of value/earnings because of the failure of the debtor, in other words the "Risk arising out of a credit exposure as a result of an unforeseen change in the creditworthiness of the borrower that involves a change in the value of the exposure itself". At Mediocredito, it also includes the counterparty risk, i.e. the risk that the counterparty could default before the final settlement of all the cash flows linked to the operation.

In the light of the provisions contained in Part One, Title IV, Chapter 3 of the Bank of Italy Circular no. 285/2013 regarding internal controls and the significance attached to the efficiency and effectiveness of the credit process and associated control system, the Bank has set up a dedicated organisational structure to achieve the objectives of credit risk management and control, indicated by the above prudential regulations.

The whole process of credit management and control is governed by internal regulations that:
- identify the proxies and the signing powers concerning credit disbursement;
- define the criteria for the assessment of creditworthiness;
- define the methods for the renewal of credit lines;
- define the methods of performance monitoring and credit risk measurement and the types of actions to be taken in case of detection of anomalies.

These rules define internal control activities, management and mitigation for credit risk by developing a structured system that involves different organisational functions whose activities are within the complex global risk control and management system adopted by the Bank.

The credit risk organisational process management is based on the principle of separation between its own investigation process activities and those of credit management. This principle has been implemented through the establishment of separate organisational structures.

With regard to the operating methods that characterise the lending activities of the Bank, credit management is split into the following macro areas:

- credit planning: carried out in accordance with the development and risk/reward policies as defined by the Board of Directors as part of the Risk Appetite Statement;
- granting and review: this phase covers the whole credit granting process from the request for funding (or the review of existing credit lines granted) to the application assessment and the decision by the competent body. The rules governing such stages are contained in the company procedures (mapped into the filing system) and in the internal regulations;
- monitoring: includes all activities necessary for the timely detection and subsequent management of risky phenomena that may occur during the credit granting process. The monitoring is managed by the Credit Area - Monitoring and Restructuring Office. The body, dedicated to constantly checking credit quality, reports every two months to the Credit Risk Management Committee and manages the restructuring of impaired loans;
- dispute management: refers to all the activities carried out following the classification of a position under doubtful loans and other impaired loans as identified by the Credit Risk Management Committee to safeguard the interests of the Bank. The various phases of the process are entrusted to the Legal Department, which directly and proactively manages the recovery initiatives.

The process of assumption and control of credit risk, incorporated in an internal policy, is monitored by the Credit Area which supervises the processes of credit granting, disbursement, management and monitoring and defines rules, instruments and criteria for assessing creditworthiness, besides assisting the Market Service units in preliminary risk evaluation.
The Bank grants credit on the basis of a detailed monographic analysis of the company seeking financing which takes into account not only its economic-financial situation but also its position on the market, productive structure, management, forecast business plan and guarantees; with a special reference to industrial and commercial companies, the preliminary analysis is supplemented by the assignment of an internal scoring/rating that allows customers to be classified according to risk categories and the pricing policy to be applied in a more calibrated manner.
The loan portfolio is monitored by the Monitoring and Restructuring Department and the most impaired loans in the portfolio by the Legal Department. The Risk Management Office cooperates with the Management, also as part of the Credit Risk Management Committee, to define and monitor risk policies and for the assessment of lending.

2.2 Management, measurement and control systems

Policies aimed at maintaining portfolio integrity are implemented through an intense and systematic monitoring action, above all with regards to exposures most at risk, performed by the Monitoring and Restructuring Department) through direct relations with customers and/or the acquisition and assessment of financial statements, accounts or other documents, sometimes also jointly with Regional Units. These policies are summarised at the frequent meetings of the Credit Risk Management Committee, a body responsible for defining the relevant guidelines and examining the outcome of specific operations carried out by the Departments in charge.
Operational methods, already introduced to the monitoring process a few years ago, designed to increase the speed of identification and efficiency of managing loans characterised by a deteriorated risk profile, allow the advance submission of positions that are believed could deteriorate in the future (despite regular repayments) to the attention of the Credit Risk Management Committee.
Therefore, reporting to the Credit Risk Management Committee is structured into:

- loan control and monitoring activities;
- verification of risk concentrations;
- analysis of past due loans and/or characterised by forbearance measures (forborne);
- analysis and control of possibly problematic performing loans;
- collection of adjusted doubtful loans.

Within the context of loan control and monitoring activities, the following are also shown:

- the yearly outcome of the appraisal by the Monitoring and Restructuring Department (generated with the help of an automated process) with regards to compliance with financial covenants that had accompanied the granting of the loan;
- the yearly outcome of the appraisal by the Monitoring and Restructuring Department, targeted at examining signs that could indicate a possible worsening of the risk profile of the debtor, aimed at performing loans, focused primarily on the analysis of data of the Centrale Rischi (central credit register) and the main company accounting data from the latest approved financial statements and/or consolidated financial statements.
  With regard to this action, note that the Bank adopted an experimental model for monitoring the performing portfolio in which performance variables were adopted on indicators of customer financial statements and on the level of risk reported within the IFRS 9 classification and impairment model.

In addition to the functions mentioned above, the activities of the Planning and Control Department and of the Risk Manager fall within the scope of credit risk monitoring. In particular, the aforementioned functions conduct quarterly and half-yearly analyses on the evolution and trend in credit risk, periodically reporting to the top management and the Board of Directors.
For the purpose of determining the internal capital against the credit risk, the Bank uses the standardised approach adopted for the determination of capital requirements in respect of credit risk. During the interim review of the Internal Capital Adequacy Assessment Process (ICAAP) and of the monitoring of the actual risk profile as part of the Risk Appetite Statement (RAS), the internal capital absorbed to cover the credit risk is determined on a quarterly basis, also by carrying out stress testing.

Use of internal scoring/rating systems in the disbursement activity

The Bank uses an internal scoring/rating system to support the lending activity of corporate customers.
Scoring is used in the pre-analysis business phases to evaluate the companies associated with the requesting company or any consolidated financial statements, while Rating - which completes the scoring with quantitative elements - is used for all the companies for which a request for funding is proposed in the resolution.
The expected rating level is related to the duration of the transaction and the respective LTV level.

The rating is assigned to all companies applying for funding, with the exception of:
- holding companies;
- finance companies;
- real estate companies;
- start-ups;
- Land – Building transactions;
- Project Finance transactions;
- the hospitality industry;
- the cableway industry;
- sole proprietorships;
- companies with an annual turnover of less than €1m.

The score resulting from the application of the model is made on a scale from "AAA - Excellent" to "D - Not solvent" similar to the scales adopted by the main rating agencies.
To date, these scoring/ratings are not used for monitoring credit risk, which is instead based on the model described in paragraph 2.3 and which allows performing customers to be monitored on the basis of a set of financial and performance indicators and triggers.

2.3 Methods for measuring expected losses

Collective valuation

The calculation of collective impairment pursuant to IFRS 9 is carried out using the Allitude/CRIF calculation model adopted in accordance with the management software provider of the Cassa Centrale Banca Credito Cooperativo Italiano banking group.
The model assigns to each relation the values of PD, LGD and EAD by analysing the counterparty rating, the guarantees securing the relation and the amortisation plan of the relation, respectively. The values of each parameter are calculated on the basis of statistical analyses carried out on a predefined sample and on the basis of expected macroeconomic scenarios (forward looking approach).
It should be noted that, during 2019, the Allitude/CRIF model for calculating collective impairment under IFRS 9 was customised to correct anomalies of overestimation of the Bank's portfolio risk and of the model's lack of discriminating capacity, which is not very suitable for application to single-product banks.
The action involved the development of ad hoc integration functions estimated on the total Allitude development sample but by replicating the distinctive characteristics of the business of Mediocredito. In particular, a re-estimation, on the entire Allitude sample - thus guaranteeing the statistical robustness of the model - of the integration function was envisaged, replacing the internal performance module, with the mortgage module alone, supplemented by a recalibration at a target rate given by the ratio between the risk of Mediocredito and that of the total sample. Moreover, Allitude carried out rating scale optimisation works for all banks in order to resolve the anomalies encountered by customer banks.

Staging assessment

The model performs, as a first step, the staging assessment phase of each transaction, i.e. the allocation of financial instruments in the stages provided for by the accounting principle through the calculation of the rating (on a scale from 1 - best rating - to 13 - worst rating) and the analysis of its variation with respect to the initial rating. This stage is particularly important because it guides the way in which the provision for credit risk is determined.
Originally, each transaction is classified in stage 1; at the next assessment stage, it is classified in stage 1 or 2 according to the transition matrices differentiated by segment (Companies, Private individuals, POE and Small Businesses).

The objective assumptions for classifying a stage-2 transaction are as follows:
- presence of arrears for more than 30 days;
- forborne performing classification;
- classification as performing under observation

Moreover, for the purposes of staging assessment, the model adopted the Low Credit Risk Exemption, envisaged by the accounting standard, which requires that on FTA or subsequent measurement, a transaction can be classified as stage 1 if it meets the following requirements:
- absence of lifetime PD at the disbursement date;
- no "30 days past due" event in the 36 months prior to the measurement date;
- rating class less than or equal to 4 for Small Businesses and Companies, less than or equal to 3 for POE and less than or equal to 5 for Private individuals.

Rating assignment

In order to determine the rating, which is useful both for the staging and for the assignment of the PD, the Allitude model uses a modular approach that, for each risk segment (counterparty type), envisages a rating model based on different sources (internal performance, central risk, financial statements, social and demographic analysis).
During the Covid-19 pandemic, the model envisaged the application of a penalty in terms of rating classes to individuals and exposures belonging to economic sectors which, on the basis of a targeted forward-looking analysis, were expected to be more inclined to negatively factor the effects of the economic crisis caused by the same pandemic.
In particular:
- exposures to individuals + 1 class;
- exposures to Companies, Small Businesses and POE in the selected economic sectors and geographical areas:

+ 1 class if the initial rating class is less than or equal to 4;
+ 2 classes if the initial rating class is equal to or greater than 5.

Despite the fact that the Bank believes that the Covid-19 epidemic, which has now become endemic but less infectious, no longer has a significant impact on the real economy and, in particular, on its activities, it was deemed appropriate to retain the above-described sector penalty, as the rationale underlying its application is also applicable to the current economic situation, characterised by the Russian-Ukrainian and Israeli/Palestinian conflicts.

PD calculation

Following the assignment of the rating and the stage classification, each transaction is assigned a PD representing the probability that a counterparty goes into default in the period of time considered (12 months for stage 1; life-time for stage 2). The PD is estimated on the basis of the sample by including the effect of forward-looking scenarios in the calculation.

LGD calculation

The LGD represents the loss incurred in the event of default and is estimated by adding up for all the transactions belonging to the sample all the recovery flows discounted at the time of default, net of the direct costs incurred for recovery; in particular, the estimate of the LGD component under IFRS 9 is divided into two components:
1. LGS (or "LGD - Doubtful loan"), i.e. the percentage of the exposure recognised as a loss as a result of the classification as doubtful loans;
2. Danger Rate, i.e. the probability of classification as doubtful loans for the counterparties belonging to the default stages (past due, impaired or unlikely to pay exposures), on which the LGS is calibrated.

EAD Calculation

The EAD represents the expected credit exposure at the time of insolvency and is estimated on the basis of the contractually envisaged repayment flows, including the application of prepayment parameters.

Analytical valuation

Financial assets classified as impaired in accordance with supervisory regulations are classified as stage 3 and therefore subject to analytical valuation:
- doubtful;
- unlikely to pay;
- impaired past due.

For each position, the Bank considers by default the scenario of direct recovery from the debtor/guarantor or from bankruptcy proceedings; moreover, it takes into account a transfer scenario if it considers that it is more efficient to manage certain positions from this point of view and that at least one interested counterparty is identified for them and that it has provided a preliminary estimate of the possible transfer values. The Bank will assign to the transfer scenario a probability of occurrence proportionate to the actual will/possibility of completing the transaction.

2.4 Credit risk mitigation techniques

In accordance with the Bank's specific fields of operation, Credit Risk Mitigation (CRM) techniques consist mainly of "Exposures secured by real estate" and with loans assisted by first level guarantees provided by the Guarantee Fund, EIF and SACE.
The relative process of the policies for the eligibility of guarantees and the mapping of business processes related to the management of real estate as collateral for loans has been defined, and approved by the Board of Directors.
Regarding the size of guarantees securing the loan portfolio – which is classified on the basis of the incidence of guarantee coverage in terms of Loan to Value - most of the risk portfolio is secured by guarantees so that the risk is either reduced (e.g. delegations of payment for operations in favour of public bodies in the Region, full bank guarantees, guarantees of institutional funds on first demand with LTV below certain thresholds) or normal (higher LTV and within certain thresholds); these guarantees are often supplemented by other endorsement guarantees.
In the year under examination, disbursements in relation to less guaranteed operations (defined, on the basis of an internal classification, as "full risk", but often secured by guarantees, at least partial, or by covenants) amounted to €63.4m (€55.6m in 2022).
As at 31 December 2023, the incidence of these transactions on total loans (excluding doubtful loans) was contained to 15.1%, thus configuring an incidence within the overall tolerance limits set for the year as well as within the specific limits per rating category.

In addition to this portfolio, there are transactions in the energy sector and project financing: disbursements amounted to €20.1m, with the stock as a percentage of total loans (excluding doubtful loans) amounting to 11.9%, below the RAF limit of 14%.
Overall, full-risk transactions represent 27.0% of total loans compared to a RAF limit of 36.0%, following the re-composition in favour of the normal risk guaranteed portfolio, allowed by the use of collateral provided by the Central Guarantee Fund and EIF to support businesses.

Looking again at the overall portfolio of outstanding loans, a breakdown by geographical area of the investments shows that the concentration profile of the activities in the target areas remains substantially unchanged: the loan portfolio is concentrated for 36.5% in Trentino-South Tyrol, 26.3% in Veneto, 12.9% in Emilia Romagna, 16.9% in Lombardy and 7.4% in other regions.
In relation to "significant risks", five positions are reported as at 31 December 2023, one of which with central governments, for Italian government debt securities and guarantees granted by the central guarantee fund, two to supervised credit intermediaries, one to Bank of Italy for subscription to portions of share capital and one to EIF for guarantees granted by the same.
The Bank has no large exposures to ordinary customers.

3. Impaired credit exposures

Introduction

Definition of impaired loans

As from 1 January 2021, the new European rules on the definition of "default" came into force, pursuant to Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies and related provisions of the European Banking Authority (EBA), with regard to the definition of the guidelines on the application of the definition of default and to the technical regulations on "relevant thresholds", and the European Commission with regard to the definition of these thresholds.

1. Objective default.
The new definition of default did not change the time limits for triggering the classification of past due positions (the limit of 90 days remained unchanged); the element on which the regulators intervened is the so-called "materiality threshold", i.e. the exemption that allowed banks - within certain limits - not to classify a position as default (set until 31/12/2020 in the 5% of total exposure).
On the basis of the new regulations, there will be an objective default (past due) after 90 days from the maturity date of the obligation (instalment payment), without the debtor having fulfilled it, in the presence of both of the following conditions (new "materiality thresholds"):
- the unpaid portion must be at least 1% of the debtor's total exposure (this component - valid for all types of counterparties - is defined as the "relative component");
- the total value of the past due exposure must be at least €100 for retail exposures / retail customers and €500 for other exposures / non-retail customers (so-called "absolute component").

2. Subjective default.
In any case it is still possible to classify a customer in default subjectively, or in the opinion of the bank, if this is not deemed able to fulfil the obligations assumed (if not through the enforcement of the guarantees given to cover the credit), or, in the case of unsecured credit positions, is not deemed able to promptly fulfil the obligations undertaken.
In this regard, it should be noted that in its Guidelines, in order to harmonise the discretion granted to intermediaries in the classification of customers, the EBA considered it appropriate to define a series of triggers in the presence of which the position must be qualified as in default. In particular: a) in the case of disposal of loans for which there has been a "distressed restructuring" (of the debt) that entailed a substantial remission of the same or a deferral of payments of principal, interest or commissions with a loss higher than 1% of the original debt; b) in case of bankruptcy of the borrower; c) in the event of specific provisions on the exposure in accordance with IFRS 9; d) in the event of loss of sources of income and increase in the level of financial leverage.
Upon the occurrence of the above conditions, all exposures to the debtor must be considered in default.

3. Default contagion.
The new regulation also introduces another important aspect called "default contagion", by virtue of which:
- if the joint account is in default, the contagion applies to the exposures of the individual joint holders;
- if all the joint holders are in default, the contagion is automatically applied to the exposures of the joint account.

In this regard, it points out that this new provision applies only to joint transactions and not to legal and/or economic links between parties (companies belonging to the same group).
On the other hand, within banking groups, the classification of a default position with one company of the group will entail the extension of this classification to all the companies of the same group.

4. Offsetting between exposures.
A further change related to the new definition of default is that it is no longer possible to apply the offsetting of past due amounts with any other available funds on unused or partially used credit lines, consequently classifying the customer as in default even in the presence of other available credit lines.

5. Restructuring of credit lines.
The regulations also introduce a new threshold for the classification as default in cases of credit line restructuring due to financial difficulties of the customer. If, as a result of the remodulation (forborne), a loss of more than 1% occurs, the Bank is required to classify the customer in a state of default (known as Diminished financial obligation).

6. Disposal of loans through securitisations.
The new EU provisions also apply to the disposal of loans through securitisations ("traditional securitisations", i.e. those that transfer ownership of the loans to the special purpose vehicle). In particular, the EBA Guidelines identify the cases in which the disposal of loans must be considered an indication of default with consequent classification of the customer. In particular:
- position without default index: if the disposal takes place for corporate policy reasons, or to increase liquidity, the loss resulting from it is not to be considered an indicator of default if the bank is able to document that the loss itself does not derive from an impairment of the possibility of debt recovery;
- position with default index:
  - individual position: if the sale takes place due to the decrease in the possibility of credit recovery and the loss incurred by the bank is greater than 5% of the value of the receivable gross of value adjustments, the transaction will give rise to a default ratio with consequent classification of the position (and any other related positions) in default status;
  - loan portfolio: in the event of disposal of a loan portfolio, if its price is determined by applying a discount to the total value of the loans (gross of value adjustments) that is such to entail a loss of more than 5%, it will be necessary to extend the default status to the entire portfolio (i.e. to all individual positions). The extension of the status should not be applied if the portfolio price was determined by specifying the discount rate applied to the individual positions.

7. Exit from default classification.
The provisions in question also introduce new conditions to "exit" the default condition; in particular, the transition to performing status will take place after the cure period that is three months after the position is settled (i.e. from the moment in which the conditions set forth in Article 178 of the CRR cease), or one year with reference to the customers that benefited from debt restructuring.
In these cases, the new provisions require that an important role is played by the bank's assessment of the customer's overall financial situation. The return to a performing status will in fact be possible only if the financial situation of the customer is considered stable in an effective and permanent manner.

3.1 Management strategies and policies

Objectives and strategies

In 2023, the Bank approved the "Multi-annual plan for the management of NPLs" for the 2023-2025 time horizon.

The following table summarises the main objectives of the plan for 2023 compared with the final results:

Obiettivi operativi	Target 2023	Situazione al 31.12.2023	Gap
Nuovi deteriorati netti	10.121	12.719	2.598
Esposizioni creditizie deteriorate (valori lordi)	43.136	33.530	9.606
Esposizioni creditizie deteriorate (valori netti)	18.977	16.400	2.577
NPL ratio lordo	4,1%	3,3%	0,8%
NPL ratio netto	1,9%	1,6%	0,3%
Coverage ratio complessivo deteriorati	56,0%	51,1%	4,9%
Coverage ratio sofferenze	63,0%	68,6%	5,6%
Coverage ratio inadempienze probabili	51,0%	42,8%	8,2%
Coverage ratio scaduti deteriorati	10,0%	7,1%	2,9%

Technical and organisational procedures and methods used

The situations that present some level of anomaly are initially monitored by the Credit Area – aided by the local commercial units - which implements all timely management actions with the aim of achieving a return to normality.
In the event of a particular deterioration in the relationship, the position is transferred to the Legal Department, which manages the re-entry phase, if necessary through the launch of enforcement proceedings. Therefore, the Legal Department presides over a part of unlikely to pay loans and all doubtful loans.
The detailed analysis of significant positions is bought to the attention of the Credit Risk Management Committee, which meets at least every two months, evaluates the actions to be taken and decides whether to alter the status of the impaired loans.
Reporting to the Credit Risk Management Committee relating to the analysis of the situation of past due loans is broken down by risk severity and duration into:

- Past due Status "Past due by less than 90 days";
- Past due Status "Past due 90";
- Past due Status "Unlikely to pay";
- Positions not past due but "potentially critical".

Every three months, the organisational units of the Credit Risk Management Committee, in coordination with the General Management, carry out an evaluation on the positions in question, to verify the existence of objective evidence of possible impairment losses (impairment test), constantly taking into account the minimum regulatory requirements related to applying the so-called "calendar provisioning", adequately implemented by internal policies and procedures. The evaluation process makes provision for an analytical examination of impaired positions by applying the methodologies and criteria set out in Part A – Accounting Policies. In compliance with the amendments introduced by the "Guidance on the management of non-performing loans for Italy's Less significant institutions" (issued by Bank of Italy in January 2018) and in order to comply with the entry into force of the IFRS 9 accounting standard for the calculation of impairment, the Bank has an appropriate policy for the classification, measurement and management of impaired loans; it requires, in particular, the determination of recovery forecasts to be formalised in detail for each position analysed to allow the evaluation and calculation process to be traced and reconstructed.
Verification of the correct monitoring of the individual exposures and the assessment of the consistency of the classifications, the congruence of the provisions and the adequacy of the recovery process is carried out by the risk control function which, verifies, among the other tasks, the work of the operating and credit recovery units, ensuring the correct classification of the impaired exposures and the adequacy of the related degree of non-recoverability.
As regards the risk indicator of the portfolio developed by the Bank of Italy it is reported that when analysing the historical performance of the most significant aggregate for our operations (non-financial corporations in North-eastern Italy), the Bank's average value is below the result for the system (0.7% compared to 1.4% on the amounts of the last five years, from 2018 to 2022; as at 30 September 2023, the last available data, 0% to the Bank compared to 0.4% for the system).

3.2 Write-off

Write-off policies

The Bank writes off exposures only when it no longer has reasonable expectations of recovering the financial asset and for the amount deemed irrecoverable; it is assumed that this situation occurs (unless there is a reason to the contrary) for positions that have been classified as doubtful loans for at least 10 years or doubtful loans with a drawdown of less than €50 thousand. Write-offs are adopted by the Credit Risk Management Committee and reported to the Board of Directors on a quarterly basis.

Financial assets which, although written off during the year, are still subject to execution

During the year, the Bank wrote off financial assets still subject to execution for a total of €5.6m.

Financial assets which, although entirely written down during the year, are still subject to execution

As at 31 December 2023, the Bank held €2.243m of entirely written-down doubtful loans in its portfolio, broken down by age as follows:

Year of classification as doubtful loan	No. of customers	Amount (millions of Euro)
2012	1	0.002
2013	1	0.003
2015	2	0.031
2016	1	0.023
2017	1	0.029
2018	2	2,140
2023	1	0.015

In addition to the doubtful loans indicated above, the Bank has €55 thousand of unlikely to pay loans in its portfolio, relating to one customer, fully written down.

3.3 Acquired or originated impaired financial assets

The Bank does not hold acquired or originated impaired financial assets in its portfolio.

4. Financial assets subject to commercial renegotiations and exposures subject to forbearance measures

Policies for commercial renegotiation and forbearance of financial assets

The forbearance measures are granted by the Bank on the basis of a procedure that:

- assesses the financial situation of the debtor with a special reference to total debt and its ability to service the debt. An analysis/evaluation of historical data must be carried out to reconstruct the timing and reasons for the debtor's financial difficulty and to obtain an indication of the economic sustainability of the business model and an analysis of the sustainability of the business plan and cash flows;
- applies, as far as possible, standardised conditions within a predefined range of possibilities;
- monitors the effectiveness of the applied measures.

The identification of the customers receiving forbearance measures is based on a series of indicators, considered as a whole, aimed at verifying the existence of the minimum conditions of continuity, the presence of a positive historical financial relationship and the cooperative attitude of the debtor.
Indicators are also tested, using the management system, to verify the "financial difficulty" of the applicant, which take into account both internal performance data and system data extrapolated from the Centrale Rischi (central credit register).
The absence of "financial difficulty" does not bar the forbearance measures but leads to the position not being classified as "forborne" (commercial renegotiation).
Short-term forbearance measures are defined as temporary restructured repayment conditions designed to deal with short-term financial difficulties but which do not tackle the settlement of existing payment delays unless combined with appropriate long-term measures. They should generally not exceed 2 years, which drop to 1 in the case of project finance and the construction of commercial real estate.
These forbearance measures must be taken into account:

- when the debtor has been affected by an identifiable event that has led to temporary liquidity risks, which will be overcome in the short term due to improved profit margins;
- in the bank's opinion, a long-term forbearance measure is not applicable due to a general or specific temporary financial uncertainty of the debtor.

In most cases, these measures combine with medium/long-term measures.
The standardised forbearance measures normally adopted are summarised in the table below.

Time horizon	Forbearance measure
Short term	Suspension of payments for a limited period of time
	Partial payments (interest rate and reduced principal; interest rate only)
	Capitalisation of arrears/interest
Medium/Long-term	Permanent decrease in interest rates
	Extending maturities
	Restructuring of payments (balloon or bullet payments; payments increasing over time)
	New Borrowings
	Amendments/Waiver of contractual covenants
	Debt rescheduling
	Partial or total debt cancellation

As already seen, the presence of forbearance measures is an objective presumption for the classification of a relation in stage 2 for the purpose of assessing the expected losses.

Moratoria granted by law and in application of industry agreements to deal with the effects of the COVID-19 pandemic

Based on the indications provided by the European Banking Authority in the document "*Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*" of 4 April 2020 (EBA/GL/2020/02) and subsequent amendment, the moratoria granted to customers pursuant to law (mainly Law Decree 18 of 17 March 2020) and in application of the industry agreements (ABI Agreements)[24], were not considered as an expression of the debtor's financial difficulty. Therefore, the aforementioned positions were not classified as forborne exposures.
The exceptions are moratoria extended by the "Sostegni bis" Law Decree for which, considering that the facilitation framework envisaged by the EBA Guidelines on the subject of moratoria expired from 31 March 2021, it was necessary to individually analyse the positions to verify whether the extensions were to be considered forbearance measures (i.e. linked to a financial difficulty), with consequent classification at Stage 2. Therefore, with regard to the extension measure mentioned above, the Bank's choice was to classify the relationships subject to extension (86 relationships) as forborne.
In 2023, as the probation period expired, these relationships were reclassified from forborne performing to performing.

Information on credit quality of exposures subject to forbearance measures and on the effectiveness of the granted forbearance measures

Gross forborne loans existing by year of forbearance measures (in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Tot.
Forborne performing		2,419	183	1,007	408	1,032	1,528	15,001	1,150	4,487	**27,216**
Forborne non-performing	1,417	1,735	3,274	2,156	4,149	825	499	835	1,069	3,024	**18,983**
Total	**1,417**	**4,154**	**3,458**	**3,162**	**4,557**	**1,857**	**2,027**	**15,836**	**2,219**	**7,511**	**46,199**

Gross forborne loans by number of forbearance measures (in thousands)

	1 forbearance measure	more than one forbearance measure
Forborne performing	21,144	6,072
Forborne non-performing	1,436	17,547
Total	**22,580**	**23,619**

Effectiveness of the forbearance measures (in thousands)

	2023	2022
Flow analysis		
Forborne performing classified as forborne non-performing	6,652	518
Forborne performing classified as performing non-forborne	31,912	963
Forborne non-performing classified as forborne performing	-	-
Stock analysis		
Forborne performing without arrears / total forborne performing	98%	98%
Forborne non-performing without arrears / total forborne non-performing	66%	31%

For further qualitative and statistical information on the loans subject to forbearance measures (geographical distribution, by business area of the counterparty, by type of forbearance measure), refer to the Report on Operations in the paragraphs "Performing loans subject to forbearance measures - Forborne" and "Impaired loans subject to forbearance measures - Forborne".

24 Mediocredito Trentino-Alto Adige, at the end of an analysis carried out internally and subject to the positive opinion of the Compliance function, considered that the moratoria granted on the basis of the "Ripresa Trentino" protocol (signed between the Autonomous Province of Trento, Cassa del Trentino S.p.A. and banks, financial intermediaries and the Confidi of the province of Trento) and "Alto Adige Riparte" protocol (signed between the Autonomous Province of Bolzano, Confidi, Garfidi and banking institutions with headquarters or branches in South Tyrol) meet the requirements of the EBA Guidelines (EBA/GL/2020/02) and therefore fall within the scope of application of the provisions contained therein.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

For the purposes of quantitative information on credit quality, equity securities and investments in UCITS are excluded.

A.1 Impaired and performing credit exposures: amounts, value adjustments, trend and economic distribution

A.1.1 Distribution of credit exposures by relevant portfolio and credit quality (book values)

Portfolio/quality	Doubtful loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	3,515	12,642	243	2,624	1,312,142	**1,331,165**
2. Financial assets measured at fair value through other comprehensive income					187,801	**187,801**
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					2,532	**2,532**
5. Financial assets to be sold						
Total 2023	**3,515**	**12,642**	**243**	**2,624**	**1,502,474**	**1,521,498**
Total 2022	**6,384**	**7,546**	**153**	**13,581**	**1,468,403**	**1,496,067**

Details of financial assets measured at amortised cost subject to forbearance measures (forborne)

Portfolio/quality	Doubtful loans	Unlikely to pay	Impaired past due exposures	Performing past due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost (forborne)	1,752	7,204	17	414	23,312	**32,698**

A.1.2 Distribution of credit exposures by relevant portfolio and credit quality (gross and net values)

	Impaired				Performing			
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs	Gross exposure	Total value adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortised cost	33,530	17,130	16,400	-	1,329,297	14,532	1,314,765	**1,331,165**
2. Financial assets measured at fair value through other comprehensive income					187,801		187,801	**187,801**
3. Financial assets designated at fair value								
4. Other financial assets mandatorily measured at fair value							2,532	**2,532**
5. Financial assets to be sold								
Total 2023	**33,530**	**17,130**	**16,400**	**-**	**1,517,098**	**14,532**	**1,502,566**	**1,521,498**
Total 2022	**36,838**	**22,754**	**14,083**	**-**	**1,496,819**	**16,316**	**1,480,502**	**1,496,067**

	Assets of clearly low credit quality		Other assets
	Accumulated losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	2,058
2. Hedging derivatives	-	-	-
Total 2023	**-**	**-**	**2,058**
Total 2022	**-**	**-**	**2,062**

A.1.3 Breakdown of financial assets by past due brackets (book values)

Portfolios/risk stages	Stage 1			Stage 2			Stage 3			Acquired or originated impaired		
	From 1 to 30 days	From over 30 to 90 days	Over 90 days	From 1 to 30 days	From over 30 to 90 days	Over 90 days	From 1 to 30 days	From over 30 to 90 days	Over 90 days	From 1 to 30 days	From over 30 to 90 days	Over 90 days
1. Financial assets measured at amortised cost	83	-	-	1,073	99	1,368	208	2,403	6,533			
2. Financial assets measured at fair value through other comprehensive income												
3. Financial assets to be sold												
TOTAL 2023	**83**	**-**	**-**	**1,073**	**99**	**1,368**	**208**	**2,403**	**6,533**			
TOTAL 2022	**6,904**	**-**	**-**	**4,539**	**624**	**1,514**	**234**	**519**	**9,525**			

of which past due:

TOTAL 2023	0	-	-	77	52	1
TOTAL 2022	1	-	-	363	9	45

A.1.4 Financial Assets, commitments to disburse funds and financial guarantees issued: trend in total value adjustments and in total provisions

Risk reasons/stages	Total value adjustments																							Total provisions on commitments to disburse funds and financial guarantees issued				Total
	Assets included in stage 1						Assets included in stage 2						Assets included in stage 3						Acquired or originated impaired financial assets									
	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Loans to banks and Central Banks on demand	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Financial assets measured at amortised cost	Financial assets measured at fair value through other comprehensive income	Financial assets to be sold	of which: individual write-downs	of which: collective write-downs	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees	
Opening balance	5	5,422	18			5,440		10,894				10,894		22,754			22,754							79	4	-		39,177
Increases from acquired or originated financial assets																												
Derecognitions other than write-offs																												
Net adjustments due to credit risk (+/-)	33	(787)	23			(763)		(989)				(989)		2,167			2,167							28	(2)			474
Amendments to contracts without derecognitions																												
Changes in the estimation method																												
Write-offs not recognised directly in the income statement														(7,792)			(7,792)											(7,792)
Other changes		(8)	(4)			(13)																						(13)
Closing balance	38	4,627	37			4,664		9,906				9,906		17,130			17,130							107	2	-		31,847
Recoveries from collections on financial assets subject to write-off														(547)			(547)											(547)
Write-offs recognised directly in the income statement														239			239											239

For assets at amortised cost other than stage 1 and 2 securities, value adjustments are determined collectively using software provided by the company Allitude, which uses a calculation model developed in collaboration with CRIF, also adopted by the Cassa Centrale Banca national banking Group. The model assigns to each relation the values of PD, LGD and EAD by analysing the counterparty rating, the guarantees securing the relation and the amortisation plan of the relation, respectively. The values of each parameter are calculated on the basis of statistical analyses carried out on a sample of all banks participating in the Allitude system and on the basis of expected macroeconomic scenarios (forward looking approach). The same model is also adopted for determining value adjustments on commitments to disburse funds and financial guarantees issued under stage 1, 2 and 3.
For securities, both those classified under financial assets measured at amortised cost and those classified under financial assets measured at fair value through other comprehensive income, the PD and LGD data is provided by the info-provider Cassa Centrale Banca S.p.A. that, in turn, uses an ad hoc instrument managed by Prometeia.
For assets at amortised cost under stage 3, the value adjustment is determined analytically by discounting the expected recovery at the end of the reporting period. The valuation process considers the recovery scenario through discharging events (the "management"

scenario) and through the assignment of loan to third parties (the "assignment" scenario), assigning to each scenario a probability of occurrence between 0% and 100%.

Disclosure pursuant to IFRS 7, paragraph 35H, letter b), (iii)

The Bank has not adopted the possibility, envisaged by paragraph 5.5.15 letter b) of IFRS 9, of assessing the provision to cover losses on receivables implicit in lease contracts deriving from operations falling within the scope of application of IAS 17 at an amount equal to the expected losses over the entire lifetime of the loan.

Disclosure pursuant to IFRS 7, paragraph B8D

With regard to the provisions for impairment of assets measured at amortised cost falling within the first and second stages, it should be noted that the write-backs (€0.8m and €1.0m respectively) are attributable for the first stage to a reduction in the write-down rate (-0.09%) and for the second stage to a reduction in volumes (-€12m) partially offset by a simultaneous increase in the write-down rate (+0.09%).
With regard to assets at amortised cost falling under the third stage, the adjustment provisions decreased, on the other hand, following the substantial collections and write-offs recognised in the year, only partially offset by adjustments to new impaired loans and higher adjustments to impaired loans already in the portfolio.

A.1.5 Financial assets, commitments to disburse funds and financial guarantees issued: transfers between different stages of credit risk (gross and nominal values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortised cost	72,143	49,141	7,550	504	7,103	-
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets to be sold						
4. Commitments to disburse funds and financial guarantees issued	2,171	-	-	-	37	-
TOTAL	**74,315**	**49,141**	**7,550**	**504**	**7,140**	

Transfers "*to stage 3*", amounting to €14.652m, do not coincide with the "transfers from performing exposures" shown in table A.1.9 of this section, amounting to €13.511m, in that this table is valued at gross value recorded at the end of the reporting period, while table A.1.9 is valued at gross value recorded at the date of transition to the non-performing status. For the same reason, "stage 3" transfers, amounting to €0.504m, do not coincide with "transfers to non-performing exposures" shown in table A.1.9 of this section, amounting to €0.777m.

New liquidity granted through public guarantee mechanisms issued in relation to the COVID-19 context: transfers between different stages of credit risk (gross values)

Portfolios/risk stages	Gross values / nominal value					
	Transfers from stage 1 to stage 2		Transfers from stage 2 to stage 3		Transfers from stage 1 to stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
New loans	6,325	2,214	1,698	-	-	-
TOTAL	**6,325**	**2,214**	**1,698**	**-**	**-**	**-**

A.1.6 Balance sheet and off-balance sheet credit exposures to banks: gross and net values

Type of exposures/Amounts	Gross exposure Stage 1	Gross exposure Stage 2	Gross exposure Stage 3	Gross exposure Acquired or originated impaired	Total adjustments and total provisions Stage 1	Total adjustments and total provisions Stage 2	Total adjustments and total provisions Stage 3	Total adjustments and total provisions Acquired or originated impaired	Net exposure	Total partial write-offs
A. Balance sheet credit exposures										
A.1 On demand	48,837				38				48,799	
a) Impaired										
b) Performing	48,837				38				48,799	
A.2 Others	23,953				20				23,933	
a) Doubtful loans										
- of which exposures subject to forbearance measures										
b) Unlikely to pay										
- of which exposures subject to forbearance measures										
c) Impaired past due exposures										
- of which exposures subject to forbearance measures										
d) Performing past due exposures										
- of which exposures subject to forbearance measures										
e) Other performing exposures [1]	23,953				20				23,933	
- of which exposures subject to forbearance measures										
TOTAL A	**72,790**				**58**				**73,733**	
B. Off-balance sheet credit exposures										
a) Impaired										
b) Performing	2,058	1,033				4			3,087	
of which Derivatives	*2,058*								*2,058*	
Commitments										
Guarantees issued		*1,033*				*4*			*1,029*	
TOTAL B	**2,058**	**1,033**			**58**	**4**			**3,087**	
TOTAL A+B	**74,848**	**1,033**			**58**	**4**			**75,819**	

1 Other performing exposures include €18.4m in bank bonds that satisfy the requirements for eligibility for ECB refinancing, classified under "Financial assets measured at amortised cost". For more information, please refer to the report on operations chapter "The securities portfolio".

A.1.7 Balance sheet and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/Amounts	Gross exposure	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	Total value adjustments and total provisions	Stage 1	Stage 2	Stage 3	Acquired or originated impaired	Net exposure	Total partial write-offs
A. Balance sheet credit exposures												
a) Doubtful loans	11,178			11,178		7,663			7,663		3,515	
- of which: exposures subject to forbearance measures	6,451			6,451		4,700			4,700		1,752	
b) Unlikely to pay	22,090			22,090		9,449			9,449		12,642	
- of which: exposures subject to forbearance measures	12,513			12,513		5,309			5,309		7,204	
c) Impaired past due exposures	261			261		18			18		243	
- of which: exposures subject to forbearance measures	18			18		2			2		17	
d) Performing past due exposures	2,890	84	2,806			266	0	266			2,624	
- of which: exposures subject to forbearance measures	498	-	498			84		84			414	
e) Other performing exposures [1]	1,492,787	1,353,453	139,334			14,246	4,607	9,639			1,478,541	
- of which: exposures subject to forbearance measures	26,717	-	26,717			3,405		3,405			23,312	
Total A	**1,529,207**	**1,353,537**	**142,140**	**33,530**		**31,643**	**4,607**	**9,905**	**17,130**		**1,497,565**	
B. Off-balance sheet credit exposures												
a) Impaired												
of which Guarantees												
Commitments												
b) Performing	19,751	19,751				106	106	-			19,645	
of which Derivatives	2,019	2,019				-	-	-			2,019	
Commitments	7,081	7,081				60	60	-			7,021	
Guarantees issued	10,651	10,651	-			46	46	-			10,605	
Total B	**19,751**	**19,751**	**-**	**-**		**106**	**106**	**-**	**-**		**19,645**	
Total A+B	**1,548,958**	**1,359,417**	**156,012**	**33,530**		**31,749**	**4,713**	**9,905**	**17,130**		**1,517,209**	

1 Other performing exposures include €497.6m in securities issued by the Italian government that satisfy the requirements for eligibility for ECB refinancing, classified for €187.8m under "Financial assets measured at fair value through other comprehensive income" and for €309.8m under "Financial assets measured at amortised cost". There are also €1.4m of securities that did not pass the SPPI test relating to a subordinated bond issued by an insurance counterparty for €1.3m and

to the mezzanine and junior tranches issued by the Buonconsiglio 3 securitisation for €13 thousand. For further information, please refer to the Report on Operations in the section "The securities portfolio".
Finally, there are receivables of €1.2m for cash reserve relating to two securitisations that did not pass the SPPI test.

Liquidity granted through public guarantee mechanisms issued in relation to the COVID-19 context: gross and net values

	Type of exposures/Amounts	Gross exposure	Total adjustments and total provisions	Net exposure	Total partial write-offs
A.	Doubtful loans	-	-	-	
B.	Unlikely to pay loans	1,698	452	1,246	
C.	Impaired past due loans	-	-	-	
D.	Other performing past due loans	-	-	-	
E.	Other performing loans	72,783	120	72,663	
	TOTAL (A+B+C+D+E)	**74,480**	**572**	**73,909**	

A.1.9 Balance sheet credit exposures to customers: trend in gross impaired exposures

	Reasons/Categories	Doubtful loans	Unlikely to pay	Impaired past due exposures
A.	**Opening balance**	**20,081**	**16,586**	**170**
	- of which: exposures sold and not derecognised	-	-	-
B.	**Increases**	**3,599**	**14,407**	**260**
B.1	transfers from performing exposures	15	13,246	250
B.2	transfers from acquired or originated impaired financial assets			
B.3	transfers from other categories of impaired exposures	2,563	510	
B.4	amendments to contracts without derecognitions			
B.5	other increases [1]	1,021	651	10
C.	**Decreases**	**12,502**	**8,903**	**169**
C.1	transfers to performing exposures		771	6
C.2	write-off	7,199	831	
C.3	collections [1]	4,781	4,678	75
C.4	sale proceeds	95	-	-
C.5	losses on disposal	-	-	-
C.6	transfers to other categories of impaired exposures	426	2,563	84
C.7	amendments to contracts without derecognitions			
C.8	other decreases	1	60	4
D.	**Closing balance**	**11,178**	**22,090**	**261**
	- of which: exposures sold and not derecognised	-	-	-

1 The column doubtful loans also includes €0.546m related to collections of doubtful loans completed in the previous years as per the instructions of the Bank of Italy (Circular 262/2005).

A.1.9bis Balance sheet credit exposures to customers: trend in gross exposures subject to forbearance measures broken down by credit quality

Reasons/Categories	Exposures subject to forbearance measures: impaired	Exposures subject to forbearance measures: performing
A. Opening balance	**20,158**	**73,237**
- of which: exposures sold and not derecognised	-	-
B. Increases	**7,341**	**3,269**
B.1 transfers from performing exposures not subject to forbearance measures	-	974
B.2 transfers from performing exposures subject to forbearance measures	7,110	
B.3 transfers from impaired exposures subject to forbearance measures		94
B.4 transfers from impaired exposures not subject to forbearance measures	113	1,076
B.5 other increases	118	1,125
C. Decreases	**8,517**	**49,290**
C.1 transfers to performing exposures not subject to forbearance measures		31,912
C.2. transfers to performing exposures subject to forbearance measures	94	
C.3 transfers to impaired exposures subject to forbearance measures		7,110
C.4 write-off	2,908	-
C.5 collections	4,857	10,265
C.6 sale proceeds	-	-
C.7 losses on disposal	-	-
C.8 other decreases	658	3
D. Closing balance	**18,983**	**27,216**
- of which: exposures sold and not derecognised	-	-

A.1.11 Balance sheet impaired credit exposures to customers: trend in total value adjustments

Reasons/Categories	Doubtful loans		Unlikely to pay		Impaired past due exposures		Performing credit exposures	
	Total	of which: exposures subject to forbearance measures	Total	of which: exposures subject to forbearance measures	Total	of which: exposures subject to forbearance measures		
A. Opening balance	**13,697**	**5,884**	**9,040**	**6,521**	**17**	**6**	**16,292**	
- of which: exposures sold and not derecognised	-	-	-	-	-	-	-	
B. Increases	**9,284**	**2,053**	**5,028**	**2,277**	**20**	**1**	**6**	
B.1 value adjustments from acquired or originated impaired financial assets								
B.2 other value adjustments	7,370	1,035	5,019	2,272	20	1	6	
B.3 losses on disposal								
B.4 transfers from other categories of impaired exposures	1,273	990	9	4				
B.5 amendments to contracts without derecognitions								
B.6 other increases [1] [2]	642	28						
C. Decreases	**15,318**	**3,237**	**4,620**	**3,489**	**18**	**5**	**1,785**	
C.1 write-backs from valuation	5,228	411	1,124	751	8	1	1,777	
C.2 write-backs from collection [1]	2,491	444	1,697	1,222	2			
C.3 gains on disposal	95						8[3]	
C.4 write-off	7,505	2,381	526	526				
C.5 transfers to other categories of impaired exposures			1,273	990	9	4		
C.6 amendments to contracts without derecognitions								
C.7 other decreases								
D. Closing balance	**7,663**	**4,700**	**9,449**	**5,309**	**18**	**2**	**14,513**	
- of which: exposures sold and not derecognised	-							
Losses due to below market rates	-	-	-	-	-	-	-	
Total net credit adjustments	**(349)**		**2,198**		**10**		**(1,770)**	**88[4]**
Net loss on disposal	**(95)**		**-**		**-**		**(8)**	**(103)[5]**

1 The column doubtful loans includes €0.546m related to collections of doubtful loans completed in the previous years as per the instructions of the Bank of Italy (Circular 262/2005).
2 The column doubtful loans includes €0.095m related to collections from transfer of doubtful loans completed in the previous years.
3 The amount relates to the 2022 impairment of HTC securities sold during the year.

4 The amount corresponds to that shown in table 8.1 Part C item "Total B – Loans and advances to customers" (€0.282m of adjustments) net of write-backs due to time-reversal (€0.242m) and interest value adjustments (€49 thousand) allocated to item 10. Interest income.

5 The amount resulting from the sum of items B.2 and C.3 corresponds to the value in table 6.1 Part C item "Loans and advances to customers – Net result" (€2.418m) net of the capital gain on the sale of HTC securities (€2.513m), decreased by the amount in note 4.

A.2 Classification of financial assets, commitments to disburse funds and financial guarantees issued based on internal and external ratings

A.2.1 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued: by external rating class (gross values)

Exposures	External rating class						No rating	Total
	AAA /AA-	A+/ A-	BBB+/ BBB-	BB+/ BB-	B+/ B-	Lower than B-		
A. Financial assets measured at amortised cost			**326,092**	**2,130**			**1,037,138**	**1,365,359**
Stage 1			326,092	2,130			861,467	1,189,689
Stage 2							142,140	142,140
Stage 3							33,530	33,530
Acquired or originated impaired								
B. Financial assets measured at fair value through other comprehensive income			**187,801**					**187,801**
Stage 1			187,801					187,801
Stage 2								
Stage 3								
Acquired or originated impaired								
C. Financial assets to be sold								
Stage 1								
Stage 2								
Stage 3								
Acquired or originated impaired								
TOTAL (A+B+C)			**513,893**	**2,130**			**1,037,138**	**1,553,160**
D. Commitments to disburse funds and financial guarantees issued							**18,765**	**18,765**
Stage 1							18,765	18,765
Stage 2								
Stage 3								
Acquired or originated impaired								
TOTAL D							**18,765**	**18,765**
TOTAL (A+B+C+D)			**513,893**	**2,130**			**1,055,902**	**1,571,925**

Reconciliation between the "External rating classes" and the ratings of the main agencies

Rating class	Standard & Poor's	Moody's	Fitch
AAA/AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-
A+/A-	A+ A A-	A1 A2 A3	A+ A A-
BBB+/BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-
BB+/BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-
B+/B-	B+ B B-	B1 B2 B3	B+ B B-
Lower than B-	from CCC+ to D	form Caa1 to C	from CC+ to D

The balance sheet exposures with counterparties with a rating relate entirely to Government or Bank bonds classified in the HTC or HTCS portfolios. With regard to the loan portfolio of the Bank, mainly made up of loans to small and medium sized enterprises, the amount of exposures attributed an external rating are rather negligible, for which the entire exposure is presented under the column "no rating". With regard to financial derivatives the overall notional amount is €43.0m and is distributed as follows: €42.9m with counterparties rated Baa1 (Moody's) and €0.1m with counterparties rated BBB- (Fitch).

A.2.2 Breakdown of financial assets, commitments to disburse funds and financial guarantees issued: by internal rating class (gross values)

The Bank uses an internal customer rating model which, to date, covers around 46% of its loan portfolio and which is only assigned at the initial stage of the credit line and to new industrial and commercial customers; therefore, it is not yet sufficiently representative of the overall portfolio. However, it should be noted that following the introduction of the models functional to the application of the new accounting standard IFRS 9, the Bank has additional elements to assign a rating class to the entire loan portfolio together with the traditional in-depth monographic analysis of the economic, financial and sector situation of each customer to whom it grants credit; however, this data is not yet used in credit risk management.

A.3 Breakdown of secured credit exposures by type of guarantee

A.3.2 Secured balance sheet and off-balance sheet credit exposures to customers

	Gross exposure	Net exposure	Collaterals (1)				Personal guarantees (2)									Total (1)+(2)
							Credit derivatives				Endorsement loans					
								Other derivatives								
			Properties - mortgages	Properties - lease financing	Securities	Other collaterals	Credit-linked notes	Clearing House	Banks	Other Others	Public administrations	Banks	Other financial corporations	Others		
1. Secured balance sheet credit exposures	*805,467*	*777,517*	*194,315*	*106,745*	*1,735*	*71,502*					*131,298*	*39,795*	*3,786*	*59,424*		608,599
1.1 fully secured	441,671	420,298	178,938	106,745	1,237	68,417					15,202	1,493	2,516	45,750		420,298
- of which impaired	24,664	12,546	10,127	1,583		265					35			537		12,546
1.2 partially secured	363,796	357,218	15,377		497	3,085					116,096	38,302	1,270	13,674		188,301
- of which impaired	6,483	2,957	408			38					2,055	23		12		2,535
2. Secured off-balance sheet credit exposures	*3,844*	*3,788*	*170*			*29*								*2,209*		2,408
2.1 fully secured	1,375	1,375				29								1,346		1,375
- of which impaired																
2.2 partially secured	2,469	2,413	170											863		1,033
- of which impaired																

B. Distribution and concentration of credit exposures

B.1 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by main business sector

Exposures/Counterparties	Public administrations		Financial corporations		Financial corporations (of which: insurance companies)		Non-financial corporations		Families	
	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Balance sheet exposures										
A.1 Doubtful loans							2,957	6,873	558	790
of which exposures subject to forbearance measures							1,408	4,520	344	180
A.2 Unlikely to pay			2,674	1,319			9,096	7,851	871	278
of which exposures subject to forbearance measures			2,674	1,319			3,934	3,841	596	149
A.3 Impaired past due exposures									243	18
of which exposures subject to forbearance measures									17	2
A.4 Performing exposures	542,251	101	27,508	60	1,349		886,411	14,054	24,995	298
of which exposures subject to forbearance measures							22,789	3,425	937	64
Total A	**542,251**	**101**	**30,182**	**1,378**	**1,349**		**898,464**	**28,778**	**26,667**	**1,383**
B. Off-balance sheet exposures										
B.1 Impaired loans										
B.2 Performing exposures							19,645	106		
Total B							**19,645**	**106**		
Total (A+B) (2023)	**542,251**	**101**	**30,182**	**1,378**	**1,349**		**918,109**	**28,885**	**26,667**	**1,383**
Total (A+B) (2022)	**506,010**	**77**	**36,875**	**601**	**1,273**		**907,679**	**37,065**	**32,475**	**1,382**

B.2 Breakdown of balance-sheet and off-balance-sheet credit exposures to customers by area[25]

Exposures/Geographic areas	Italy		*of which North-East*		*of which other areas*		Other European Countries	
	Net exposures	Total value adjustments	*Net exposures*	*Total value adjustments*	*Net exposures*	*Total value adjustments*	Net exposures	Total value adjustments
A. Balance sheet exposures								
A.1 Doubtful loans	3,515	7,663	*3,175*	*5,117*	*341*	*2,546*	-	-
A.2 Unlikely to pay	12,642	9,449	*10,405*	*6,598*	*2,237*	*2,851*	-	-
A.3 Impaired past due exposures	243	18	*243*	*18*	*-*	*-*	-	-
A.4 Performing exposures	1,481,165	14,513	*770,560*	*10,699*	*710,605*	*3,813*	-	-
Total A	**1,497,565**	**31,643**	***784,382***	***22,432***	***713,183***	***9,210***	**-**	**-**
B. Off-balance sheet exposures								
B.1 Impaired loans							-	-
B.2 Performing exposures	19,645	106	*19,645*	*106*			-	-
Total B	**19,645**	**106**	***19,645***	***106***			**-**	**-**
Total (A+B) 2023	**1,517,210**	**31,748**	***825,020***	***28,685***	***713,183***	***9,210***	**-**	**-**
Total (A+B) 2022	**1,483,039**	**39,126**	***825,020***	***28,685***	***658,019***	***10,441***	**-**	**-**

B.3 Breakdown of balance-sheet and off-balance-sheet credit exposures to banks by area

	Italy		Other European Countries		America		Asia		Rest of the world	
	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments	Net exposures	Total value adjustments
A. Balance sheet exposures										
A.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	72,732	58	-	-	-	-	-	-	-	-
Total A	**72,732**	**58**		**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Impaired loans	-	-	-	-	-	-	-	-	-	-
B.2 Performing exposures	3,087	4	-	-	-	-	-	-	-	-
Total B	**3,087**	**4**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2023	**75,819**	**62**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2022	**68,459**	**34**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Significant Exposures

	2023	2022
a) Amount (book value)	825,442	567,952
b) Amount (weighted value)	91,833	87,189
c) Number	6	4

25 The data represented here is slightly different from the data in the breakdown by geographical area in the Report on Operations. This is due to the fact that the Bank of Italy's criteria used in the notes to the financial statements requires the geographical breakdown to be based on the counterparty's area of residence, while the method used in the Report on Operations uses the destination of the investment as its area.

C. SECURITISATION TRANSACTIONS

QUALITATIVE INFORMATION

During 2019, the Bank took part, as an investor, in a securitisation transaction of minibonds issued by joint stock companies participating in the Elite Basket Bond programme of the Italian Stock Exchange, with a strong focus on export, with the aim of supporting growth plans abroad and in general increasing the international presence of the issuer.
The transaction benefits from the SACE guarantee issued in favour of the SPV for 100% of the issues (principal and interest).
The securitised bonds are related to 10 issuers with individual amounts between €2.0m and €9.0m and a total of €50.0m.
Mediocredito took part in the transaction, as part of the minibond activity (see Report on Operations, Business Review, Lending activities) by subscribing a portion of €2.0m of the only class of ABS securities issued (senior).

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In December 2020, a multi-originator securitisation of doubtful exposures was finalised, for which the guarantee on the securitisation of the doubtful loans (GACS) was requested, which involved the sale of a portfolio of the gross book value of €21.095m (equal to 3.50% of the total portfolio sold by the participants in the transaction) at the time of the securitisation.
At regional level, the portfolio was broken down as follows:

	2020	%
Trentino	1,484	7.0
South Tyrol	-	-
Veneto	8,355	39.6
Emilia Romagna	8,411	39.9
Lombardy	2,433	11.5
Other Regions	412	2.0
Total	**21,095**	**100.0**

The breakdown by economic segment is shown below:

	2020	%
Non-financial corporations	**21,095**	**100.0**
Real Estate	9,738	46.2
Building industry	6,645	31.5
Manufacturing	4,712	22.3
Total	**21,095**	**100.0**

The consideration for the sale of the portfolio summarised above was quantified at €5.661m and, upon payment of the same, Mediocredito received the following securities:

ISIN	Description	Nominal	Loss on disposal and valuation	Final actual price	Expiry	Yield	Rating
IT000542813	BUONCONSIGLIO3 TV% 20/41 EUR SENIOR CL A	4,939	-	4,939	2041	EUR6M + 0.5% (floorzero)	BBB
IT000542814	BUONCONSIGLIO3 TV% 20/41 EUR MEZZAN CL B	674	446	228	2041	EUR6M + 9.5% (floorzero)	Absent
IT000542815	BUONCONSIGLIO3 TV% 20/41 EUR JUNIOR CL J	138[26]	138	0	2041	EUR6M + 15.0% (floorzero)	Absent
	TOTAL BONDS	**5,751**	**584**	**5,167**			

Subsequently, 95% of the mezzanine notes (€640 thousand) and junior notes (€130 thousand) were sold to the CRC FC (LUX) S.à.rl Fund for a total consideration of €217 thousand, recording a loss of €553 thousand; therefore, the Bank kept the senior notes (Class A) and 5% of the mezzanine and junior notes in the portfolio, whose fair value measurement led to a further loss of €30 thousand.

Considering that the portfolio sold, net of value adjustments recorded as at 31 December 2019, amounted to €5.960m, the effects of the securitisation on the income statement can be summarised as follows:

	IS Effect
Loss on disposal of loans	299
Loss on sale of 95% mezzanine and junior securities	553
Negative change in fair value of 5% mezzanine and junior securities	30
Overall effect on the income statement	**883**

26 Amount including the over-issue of Junior notes paid in cash of €90 thousand (amount equal to the up-front costs of the transaction).

The Bank also granted a liquidity line (limited recourse loan) to the SPV Buonconsiglio 3 Srl for €0.213m, maturing in January 2041 and remuneration at a fixed rate of 1%.

In relation to the internal systems for measuring and controlling securitisation risk, the following applies:
- the Bank does not carry out servicing activities;
- in relation to disclosure to customers, the SPV company has published an Assignment Notice on the Insertion Sheet of the Official Gazette - Second part - no. 143 of 5 December 2020;
- with regard to the law on the protection of personal data, the Bank has fulfilled its disclosure obligations.

The following subjects were involved in their respective roles:
- *Arranger*: Centrale Crediti Solutions Srl and Banca Intesa Sanpaolo S.p.A.;
- *Vehicle Company:* Buonconsiglio 3 S.r.l., a limited liability company established pursuant to Law no. 130 of 30 April 1999, with registered office in Via Vittorio Betteloni, no. 2, 20131 Milan, Italy, entered in the list of special purpose vehicles held by the Bank of Italy pursuant to the provision of the Bank of Italy no. 35745.9 of 7 June 2017; it is confirmed that the Bank does not hold any interests, nor do its employees hold any corporate positions in the SPV Buonconsiglio3 S.r.l., whose shares are entirely held by the company Special Purpose Entity Management 2 S.r.l.;
- *Master Servicer*: Zenith Service S.p.A.;
- *Special Servicer*: Guber Banca S.p.A.;
- *Representative of the noteholders*: Zenith Service S.p.A.;
- *Agent Bank*: BNP Paribas Securities Services, Milan Branch
- Rating agencies: Moody's Investors Service, Scope and DBRS Ratings
- *Cap Counterparty*: Banco Santander

The Bank carried out the necessary checks to determine whether the conditions for the derecognition of the transferred loans were met; on the basis of the checks carried out, the Bank does not hold control of the Special Purpose Vehicle pursuant to IFRS 10. Until the date of settlement of the sale of 95% of the mezzanine and junior notes, the securitisation transaction analysed is similar to a self-securitisation transaction and, until that moment, the loans remained recorded in the Bank's financial statements. Following the settlement of the sale on 18 December 2020, the Bank will be exposed to a limited extent to the variability of the results of the Special Purpose Vehicle, having sold 95% of the Mezzanine and Junior Notes and having largely passed the test on the variability withheld. Therefore, starting from 18 December 2020, the loans transferred were eliminated from the financial statements of the Bank since, in addition to the rights to the cash flows, the associated "substantiality of the risks and benefits" was also transferred to the Special Purpose Vehicle.
The checks carried out were summarised in a "technical note" sent to the independent auditors KPMG, which issued the certification required by article 7, paragraph 1, letter e) of the MEF Decree of 3 August 2016, relating to the Guarantee on the Securitisation of the doubtful loans (GACS).

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In December 2023, the Bank granted SPV Lancelot SPE Srl a non-remunerated liquidity line (limited recourse mortgage) for €1.000m, with due date coinciding with the subscription date of the tranches of notes issued by the same (expected by the end of the first half of 2014).

QUALITATIVE INFORMATION

The following tables C.1 and C.2 show the values relating to the "Buonconsiglio 3" multi-originator securitisation. Since this is a multi-originator securitisation, in compliance with the provisions of Bank of Italy Circular no. 262/2005, table C.1 shows the values relating to the portions of securities held, in proportion to the weight that the assets sold by the Bank have on the total of the assets subject to securitisation whereas, on the contrary, table C.2 shows the values relating to the portions of securities held in proportion to the weight that the assets sold by the other banks participating in the transaction have on the total assets subject to securitisation.

C.1 Exposures deriving from the main "own" securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposures	Balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
A. Subject to full derecognition from the financial statements	**117**	**0**	**0**		**0**													
- doubtful	117	0	0		0													
B. Subject to partial derecognition from the financial statements																		
C. Not derecognised from the financial statements																		

C.2 Exposures deriving from the main "third party" securitisation transactions broken down by type of securitised asset and type of exposure

Type of securitised assets/Exposures	Balance sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Book value	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs	Net exposure	Value adjustments/write-backs
A. Subject to full derecognition from the financial statements	**3,214**	**1**	**12**		**0**													
- doubtful	3,214	1	12		0													
B. Subject to partial derecognition from the financial statements																		
C. Not derecognised from the financial statements																		

C.3 Securitisation vehicles

C.4 Non-consolidated securitisation vehicles

The Bank does not hold any interests, nor do its employees hold any corporate positions in the SPV Buonconsiglio3 S.r.l., whose shares are entirely held by the company Special Purpose Entity Management 2 S.r.l.

C.5 Servicer activities - own securitisations; collections of securitised loans and redemptions of securities issued by the securitisation vehicle

For the "Buonconsiglio 3" securitisation, the role of servicer is performed by third parties with respect to the Bank.

E. SALE TRANSACTIONS

C. FINANCIAL ASSETS SOLD AND FULLY DERECOGNISED

Qualitative information

As part of the management of impaired loans, the Bank carries out sales if:
- the price of the individual transaction or of the package of transactions to be sold is considered reasonable also considering the charges to be incurred for the future management of the positions;
- there is a clear operational burden related to the management of the credit to be sold;
- the transferee is positively assessed and provides adequate guarantees of performance;
- the possible territorial impacts with reference to the transferred debtor have been favourably assessed.

The sale must in any case be carried out in compliance with the provisions of the Guidelines and must be approved by the Board of Directors after a positive assessment by the Credit Risk Management Committee.

Quantitative information

During the year, a single name transfer was made of non-performing loans already derecognised from the financial statements assets in previous years. Against a book value of zero, the assignee paid the Bank an amount of €95 thousand, recognised as a gain on disposal.

The effects described above are shown in the tables "A.1.9 Balance sheet credit exposures to customers: trend in gross impaired exposures", under items "C.4 Sale proceeds" and "C.5 Losses on disposal", and "A.1.11 Balance sheet impaired credit exposures to customers: trend in total value adjustments", under items "B.3 Losses on disposal", "C.3 Gains on disposal" and "C.7 Other decreases".

Disclosure on the sale of loans to a mutual investment fund with allocation of the relevant units to the selling intermediaries [27]

In 2016, the Bank took part as "transferor" in a sale without recourse, under Law no. 130/99, of the doubtful loans portfolios promoted and managed by Finanziaria Internazionale S.p.A. and having as its counterparty, as "transferee", the company Sole SPV S.r.l.
The transaction did not involve the Bank as servicer nor as an underwriter of the securities issued by the transferee to finance the purchase; moreover, as the Bank does not provide guarantees of any kind, the requirements for the derecognition of the loans transferred from the Bank's assets were deemed to be met.

The sale involved a doubtful loans portfolio with a gross value of €8.150m, at the time of the sale, already impaired as at 31 December 2015 to a value of €4.488m. Given these values, the transferee paid to the Bank an amount of €3.440m that led the Bank to a gross loss

27 This disclosure is made pursuant to the Bank of Italy's communication of 23 December 2019 "Closed or current financial statements of banking and financial intermediaries as at 31 December 2019".

of €4.710m. Net of existing allowance for doubtful accounts, the operation has weighed on the income statement of the Bank for net €0.222 thousand, the result of losses on disposal for €0.295m and gains on disposal of €0.073m.
The amount received from the transferee was reinvested in units of the Finint Fenice closed-end real estate fund, managed by Finanziaria Internazionale SGR S.p.A., which includes the properties used to guarantee doubtful loans sold.

During 2017, the Bank took part in a similar sale transaction with the same pattern and the same counterparties in relation to a portfolio of non-performing positions with a gross book value of €10.1m at the time of sale already impaired by €4.4m as at 31 December 2016. Given these values, the transferee paid to the Bank an amount of €5.6m that led the Bank to a gross loss of €4.5m. Net of existing allowance for doubtful accounts, the operation has weighed on the income statement of the Bank for net €96 thousand, the result of losses on disposal of €369 thousand and gains on disposal of €272 thousand.
Also in this case, the amount received from the transferee was reinvested in units of the Finint Fenice closed-end real estate fund, managed by Finanziaria Internazionale SGR S.p.A., which includes the properties used to guarantee doubtful loans sold through Sole SPV S.r.l.

At the end of the reporting period, the Bank holds 18.548 (out of a total of 211.225, or 8.78%) units in the Finint Fenice Fund, valued on the basis of the NAV as at 31 December 2023 at €522,557.357 each compared to an initial book value of €500,297.473 (see Report on Operations, Business Review, Equity investment activities).

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In December 2020, the Bank transferred without recourse a relationship, classified as unlikely to pay, to the Value Italy Credit 3 fund managed by Value Italy Sgr S.p.A., as part of a transaction pursuant to Law 130/99.
The transaction did not involve the Bank as servicer nor as an underwriter of the securities issued by the transferee to finance the purchase; moreover, as the Bank does not provide guarantees of any kind, the requirements for the derecognition of the loans transferred from the Bank's assets were deemed to be met.
The relationship transferred had a gross book value, at the time of the sale, of €1m, already written down as at 31 December 2019 for €0.7m. Against these values, the Bank received 10 units of the VIC3 fund for a value of €50 thousand each for a total value of €0.5m. The transaction entailed the recording of a gross loss of €0.5m which, net of pre-existing write-down provisions, led to the recognition of a gain on disposal of €0.2m.
At the end of the reporting period, the Bank holds 10 units in the Value Italy Credit 3 fund, valued on the basis of the NAV as at 31 December 2023 at €40,324.626 each compared to an initial book value of €50,000.00 (see Report on Operations, Business Review, Equity investment activities).

SECTION 2 – MARKET RISK

2.1 INTEREST RATE RISK AND PRICE RISK – REGULATORY TRADING PORTFOLIO

The Bank owns a contained number of financial instruments classified in the regulatory trading portfolio, with regard to both numbers and amount: these relate, in particular, to 50 cap options on interest rates, of which 25 contracts with ordinary customers and 25 corresponding contracts with banking counterparties. The measurement of the interest rate risk of these operations is carried out in the context of the *Asset & Liability Management* process of the overall portfolio.
It is highlighted that in keeping with its risk profile the Bank was not exposed either directly or indirectly to the credit products of the ABS (*Asset Backed Securities*) and CDO (*Collateralised Debt Obligation*) type linked to *sub-prime* and Alt-A loans or to financial products that the market perceives as risky. Price risk is not measured because the Bank does not own any financial instrument sensitive to price risk (equity securities or UCITS) that are classified in the regulatory trading portfolio.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING PORTFOLIO

Qualitative information

A. General aspects, management processes and methods of measuring interest rate risk and price risk

The interest risk incurred by the Bank in relation to its banking portfolio largely ensues from the main service (loans and securities) it performs as an intermediary, active in the process of maturity transformation and is mainly due to the imbalance between asset and liability items in terms of the amortisation plan with regard to amount and maturity, financial duration and type of interest rate.
In accordance with the instructions of the Board of Directors, set out in the risk profiles adopted parallel to the annual operational budget, the "Planning and control" function is the organisational structure charged with monitoring and controlling the interest rate risk to which the banking portfolio is exposed. The measurement and control of interest rate risk are carried out using the simplified methodology of the Bank of Italy (circular 285 - annex C): reference is made, in particular, to the Duration Gap Analysis methodologies (which calculate the sensitivity of assets market value to change in market rates, i.e. the sensitivity of future economic results), Maturity Gap Analysis methodologies (which measure the sensitivity of net interest income). The management of the financial risk in question is based on calculations normally carried out on a monthly or quarterly basis while, at least every three months, meetings of the ALCO (Assets and Liabilities Committee) committee are convened and, periodically, a report is submitted to the Board of Directors.

Quantitative information

Banking portfolio: internal models and other sensitivity analysis methods

It is estimated that the change over a year (within the context of the maturity gap model) that a shift in the interest rate yield curve would have on the financial margin. The model groups all the assets and liabilities into a series of time intervals (initially shorter and then increasingly longer intervals) according to the repricing timescales. The algebraic sum of the items of each "time bucket" of one year is the basis for simulating the effect on the net interest income of a rate shock (specifically given an instantaneous, unique and parallel shift in general market rates of plus/minus 200 basis points). With regard to the market value of the assets, the duration gap methodology proxy measures the sensitivity of the present value of the portfolio net of all sensitive asset and liability transactions. The following table shows the effects on the net interest income and on the net income.

Volatility of the net interest income and of net profit calculated using the Gap model (thousands of Euro)

Instantaneous and parallel shift in the interest rate yield curve	+200 bps	-200 bps
Net interest income change	+1,853	-1,853
Net income change	+1,301	-1,301

It should be noted that the model suffers from evident limits linked to the size of the time bands, the inability to take into account any caps and floors present and the obvious simplification of measuring the repricing effects through a parallel and instantaneous rate shock on the entire curve. The repricing of above all liabilities is also conditioned by the country risk which introduces an additional element of variability that is difficult to measure. For this reason, the indications expressed by the maturity gap model mostly represent a useful tool for balancing assets and liabilities in a classic A&LM perspective.
The development of the simplified model to measure the EVE delta in the presence of a 200 bps rate shock results in a contraction, from a 14.1% delta compared to own funds in 2022 to 8.9% in 2023. The improvement in the indicator is the result of a targeted interest rate risk reduction strategy undertaken by the bank through a mix of actions (in particular new loans almost entirely at floating rate, reduction in the longer-term investment portfolio) as well as the time factor that progressively mitigates the effect of the duration of assets higher than that of liabilities (especially in the securities segment). The 200 bps stress test shows an effect on equity of €17.4m.

Volatility of the market value of equity (thousands of Euro)

Instantaneous and parallel shift in the interest rate yield curve	+200 bps	-200 bps
Change in the value of equity	-17,362	+17,362

Price risk – Banking portfolio

In keeping with its risk profile the Bank did not engage in purely speculative transactions and therefore exposure of its securities portfolio to price risk is deemed to be still limited for the evaluation of the Bank's situation.
With regard to Merchant Banking, the Bank is engaged in Equity Investment activities in relation to the purchase of minority shareholdings, mostly in industrial companies. The role of the Bank in these investee companies is that of strategic shareholder and the selection and assessment of initiatives is carried out, based on internal procedures, by specialised organisational units created on an ad-hoc basis and subject to review by the Investment Committee. Lastly, investment transactions are resolved by the Board of Directors after ascertaining that they comply with the prudential limitations set forth by the Supervisory Authority.
The Bank also holds an equity portfolio that is functional to the optimisation and diversification of investments, consisting - for around €22.5m - of securities of some important companies listed on the primary listing of the Italian Stock Exchange, samples and benchmarks of the respective segment, operating in the banking, insurance and energy sectors, with a large free float listed and able to generate adequate coupon returns on a stable basis. An investment of €20m in Bank of Italy shares was added to this component.
Every six months, just like for other financial statement items, an in-depth valuation process is conducted, subject to validation by the Investment Committee and adequately documented, aimed at verifying the existence of objective evidence of impairment (impairment test). This portfolio is equal to about 4% of total financial statement assets.

Specific procedures are implemented for managing the price risk of debt securities classified mainly in the HTC&S portfolio of assets available for sale. The Bank purchased Government and bank bonds that are eligible for refinancing with the European Central Bank. For the evaluation of such assets, the Bank has internal policies that define the criteria and methodologies for determining the current fair value and the operational and size limits of the portfolio in question.

The VarHist as at 31 December 2023 was 1.03% (3.11% in December 2022) for a value calculated on the portfolio market value of €5.4m (€14.6m in December 2022).

2.3 EXCHANGE RISK

Qualitative information

The Risk Appetite Framework as part of the proprietary securities portfolio management strategy sets limits on the purchase of securities denominated in non-Euro currencies, both in percentage terms on the entire portfolio and in terms of basket of negotiable currencies.
These transactions pertain to the Bank's main non-trading activity and, as of today, are not present in the portfolio:
To hedge the exchange rate risk, the Bank may finance these purchases through deposits in foreign currency.

SECTION 3 - DERIVATIVE INSTRUMENTS AND HEDGING POLICIES

3.1 TRADING DERIVATIVE INSTRUMENTS

A. Financial derivatives

A.1 Financial trading derivatives: notional values at the end of period

Underlying assets/Types of derivative	2023				2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Clearing House	Without Clearing House - With offset agreements	Without Clearing House - Without offset agreements		Clearing House	Without Clearing House - With offset agreements	Without Clearing House - Without offset agreements	
1. Debt securities and interest rates			**86,035**				**55,664**	
a) Options [1]			86,035				55,664	
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
2. Equity securities and stock indexes								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
3. Currencies and gold								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
4. Commodities								
5. Others								
Total			**86,035**				**55,664**	

1 These relate to cap options sold to ordinary customers and the associated counter-hedges purchased from bank counterparties.

A.2 Financial trading derivatives: gross positive and negative fair value – breakdown by product

Underlying assets/Types of derivative	2023				2022			
	Over the counter			Organised markets	Over the counter			Organised markets
	Clearing House	Without Clearing House - With offset agreements	Without Clearing House - Without offset agreements		Clearing House	Without Clearing House - With offset agreements	Without Clearing House - Without offset agreements	
1. Positive Fair value			2,058				2,062	
a) Options [1]			2,058				2,062	
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards								
f) Futures								
g) Others								
Total			**2,058**				**2,062**	
1. Negative fair value			2,019				2,032	
a) Options [2]			2,019				2,032	
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards								
f) Futures								
g) Others								
Total			**2,019**				**2,032**	

1 These relate to OTC cap options purchased from bank counterparties to counter-hedge corresponding options sold to ordinary customers.
2 These are OTC cap options sold to ordinary customers.

A.3 OTC financial derivatives: notional values, gross positive and negative fair value by counterparty

Underlying assets	Clearing House	Banks	Other financial corporations	Others
Contracts not included in offset agreements				
1) Debt securities and interest rates				
- notional values		43,017		47,017
- positive fair value		2,058		
- negative fair value				2,019
2) Equity securities and share indices				
- notional values				
- positive fair value				
- negative fair value				
3) Currencies and gold				
- notional values				
- positive fair value				
- negative fair value				
4) Commodities				
- notional values				
- positive fair value				
- negative fair value				
5) Others				
- notional values				
- positive fair value				
- negative fair value				
Contracts included in offset agreements				
1) Debt securities and interest rates				
- notional values				
- positive fair value				
- negative fair value				
2) Equity securities and share indices				
- notional values				
- positive fair value				
- negative fair value				
3) Currencies and gold				
- notional values				
- positive fair value				
- negative fair value				
4) Commodities				
- notional values				
- positive fair value				
- negative fair value				
5) Others				
- notional values				
- positive fair value				
- negative fair value				

A.4 OTC financial derivatives – residual life: notional values

	Underlying/Residual maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1	Financial derivatives on debt securities and interest rates	1,511	22,966	61,558	86,035
A.2	Financial derivatives on equity securities and share indices				
A.3	Financial derivatives on currencies and gold				
A.4	Financial derivatives on commodities				
A.5	Other financial derivatives				
	Total 2023	**1,511**	**22,966**	**61,558**	**86,035**
	Total 2022	**5,442**	**25,170**	**25,051**	**55,664**

SECTION 4 – LIQUIDITY RISK

Qualitative information

A. General aspects, management processes and methods of measuring liquidity risk

The liquidity risk originates from the time mismatch between positive and negative cash flows in relation to both the short and a medium-long period. This could cause the Bank to fail to meet its payment obligations due to the inability to raise new funds and/or sell its assets on the market or to be forced to incur very high costs to meet these commitments. The sources of liquidity risk to which the Bank is exposed are represented mainly by the processes of Financing/Funding and Loans.
The measurement and management of the liquidity risk is carried out by means of financial planning tools (in particular Liquidity Gap Analysis based on a maturity ladder of all the cash flow generated, with or without the effect of the new volumes) which choose the most suitable funding policies in the medium-long term.
The Bank continues to pay special attention in order to keep a substantial equilibrium between the duration of borrowing and lending, and to diversify the sources and types of funds it raises to mitigate non-systemic liquidity risks.

The liquidity risk management policy includes, essentially:
- tasks for governing bodies with particular focus on the role of the ALCO Committee (*Assets & Liabilities Committee*);
- a liquidity risk tolerance threshold in the short term and for structural liquidity, obtained by identifying measurement indicators, attention indicators and operating limits (maturity ladder, cover ratio LCR, NSFR (Net Stable Funding Ratio);
- risk mitigation tools;
- stress testing and contingency plan to deal with adverse situations in raising funds (*Contingency Funding Plan*);
- formalisation of the existing management system of internal funds transfer pricing;
- reporting between the corporate structures and bodies.

The rules for managing liquidity risk are based on two principles:
- **short-term liquidity management**, aiming to ensure the ability to meet its foreseen and unforeseen payment obligations by maintaining a sustainable balance between incoming and outgoing cash flows in the short-term (1 year). Short-term liquidity management is an essential condition for the normal operational continuity of the bank. Typical actions taken for this purpose are:
  - to manage access to the collection on demand or short-term constraint collection (also collateralised), to the European Central Bank;
  - to manage cash disbursements to be made and to monitor the consistency and degree of utilisation of cash reserves.
- **management of structural liquidity**, aiming to maintain an appropriate balance between passivity and activity in the medium/long term (over 1 year) in order to avoid pressures on sources, current and future in the short-term. Typical actions taken for this purpose are related to:
  - management of maturity transformations;
  - increase of stable funding sources;
  - diversification of liquidity sources and optimisation of funding costs.

In particular, the monitoring of the Bank's liquidity position is achieved by checking both the interval mismatches (interval Gap) and the cumulative mismatches (cumulative gap) on different time frames of the maturity ladder (7 days, 1 month and 3 months for the short-term and beyond 1 year for the structural liquidity) by reports produced by the Planning and Control function.

The liquidity report is dynamic i.e. it summarises the liquidity needs and the associated ability to cover them in monthly periods, quantified using stress scenarios based on liquidity profiles. The Bank is aware that the validity of the stress tests should be considered within the (particularly adverse) working context (by testing the resistance); therefore, the Bank has decided to emphasise stress tests, in light of current market scenarios.

The preliminary analysis activities for the definition of the scenarios were carried out by evaluating the following factors:
- the objectives for the 2023 budget;
- the current economic climate and possible changes in the time frame of reference;
- difficult access to stable forms of financing in the medium/long-term;
- level of rating with related costs of funding;
- changes in the shareholding structure and/or related shareholders' agreements;
- situation of unpaid amounts and default positions.

We also evaluated other factors not exclusively related to liquidity risk, in particular those considered as a trigger for liquidity risk in the short-term and also the possible impact of organisational/operational malfunctions that do not allow the use of short-term forms of funding.

The coverage of the 2023 requirement was guaranteed in particular by deposits from corporate and retail customers for €396m, mostly restricted at maturity, bond issues of €21m subscribed by the South Tyrol Raiffeisen system, new loans from Cassa Depositi e Prestiti for €39m, in addition to a €20m deposit, restricted for 18 months by Cassa Centrale Raiffeisen.
To cover liquidity risk, throughout 2023, the Bank maintained sufficient margins of residual available liquidity, averaging around €305m, an increase compared to the average figure for 2022 (€233m). As at 31 December 2023 the total eligible collateral amounts to €1,109m, an increase of 12% compared to 31 December 2022 (€987m). At the end of 2023, the residual available liquidity from the ECB amounted to approximately €450m. The provision of collateral planned for 2024, net of any sales of securities in the portfolio linked to the plan for the gradual repayment of the TLTRO3 exposure, in accordance with the measures aimed at maintaining the Abaco collateral, is expected to be strengthened.
With respect to the liquidity requirement (LCR) referred to in Delegated Regulation (EU) 2015/61, as at 31 December 2023 the Bank recorded an indicator of 610%, well above the minimum envisaged (100%) while the NSFR indicator was gradually strengthen compared to the previous year, reaching 128%, compared to the regulatory limit of 100%: the interventions on the liability structure envisaged by

the plans will make it possible, already in the short term, to maintain the indicator on safety levels and within the tolerance range envisaged by the bank.
The sources of funding have been outlined also in the new 2023/2025 business plan, aiming at an ever greater diversification of borrowing, progressively reducing the concentration in wholesale funds and towards a lower number of fund providers. During 2023, the "Conto Rifugio" recorded a significant growth in balances, reaching over €250m (€131m at the end of 2022), to be added to around €89m (€41m at the end of 2022) through the deposit collection channel on the foreign market on the Raisin platform which, in addition to supporting the legacy funding channels, is potentially able to guarantee good liquidity flows also in contingency conditions considering the marked elasticity of the conditions offered.
To meet 2024 needs, a total funding of around €1.2 billion is estimated, of which approximately 37% is retail funding (Conto Rifugio and Raisin channels), corporate funding for 35%, funding from shareholders for 16%, and, lastly, targeted funding through the traditional medium/long-term EIB and Cassa Depositi e Prestiti channels for the remaining 11%.
In addition to the usual ECB refinancing channel, the use of short-term collateralised deposits with banking counterparties, in the context of a margin of available liquid assets, will allow for a better management of the treasury balances and will act as a buffer to easily absorb sudden liquidity needs.
In 2023, as well, the report of the internal liquidity adequacy assessment process (ILAAP) was prepared: it is particularly important as part of the broader supervisory review and evaluation process (SREP) that CRD IV requires supervisory authorities to carry out and represents the bank's self-assessment of liquidity risks and the capacity to cover these risks in terms of processes and adequate resources. In fact, article 86 of the CRD IV requires "competent authorities to ensure that entities have robust strategies, policies, processes and systems in place to identify, measure, manage and monitor the liquidity risk over an appropriate set of time horizons, including on a daily basis, so as to ensure that entities maintain adequate levels of liquidity reserves".
Taking these factors into account and considering the business model, the level of complexity of the financial statement structure and liquidity profile, the policies for the diversification of sources as well as the support of shareholders linked by a shareholders' agreement, the Bank has deemed the liquidity process, its controls and the ability of static and dynamic indicators to provide informed guidance on decisions concerning the preparation of operating and economic budgets and funding plans to be adequate. Indicators related to liquidity risk are also included in the Recovery Plan, which envisages appropriate tolerance levels and triggers for the activation of early intervention and adjustment measures.

Quantitative information

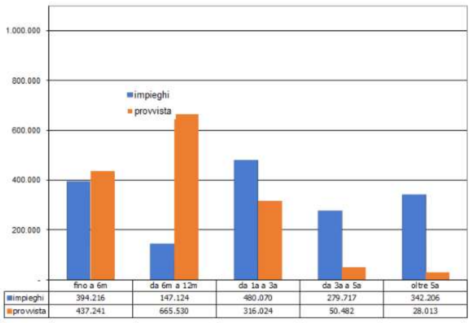
1. Time distribution by residual contractual duration of financial assets and liabilities

Items/Maturities	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	Beyond 5 years	Undetermined duration
A. Cash assets	**62,698**	**33,599**	**17,323**	**5,356**	**121,345**	**153,896**	**147,124**	**759,786**	**336,662**	**5,543**
A.1 Government securities	-	-	1,361	-	85,285	75,556	4,957	226,000	108,500	
A.2 Other debt securities	150	-	5,675	258	1,628	2,874	15,791	33,876	15,776	
A.3 Investments in UCITS	17,626	-	-	-	-	-	-	-	-	
A.4 Loans	44,922	33,599	10,287	5,098	34,431	75,466	126,376	499,910	212,386	5,543
- Banks	25,928	23,010	-	-	-	-	-	-		5,543
- Customers	18,994	10,589	10,287	5,098	34,431	75,466	126,376	499,910	212,386	
B. Cash liabilities	**197,322**	**1,347**	**3,015**	**5,885**	**15,742**	**73,929**	**665,530**	**366,506**	**28,013**	
B.1 Deposits and current accounts	192,743	1,347	3,015	5,705	149,957	67,897	207,929	234,097	88	
- Banks	14,974	-	-	-	10,464	-	-	20,000	-	
- Customers	177,769	1,347	3,015	5,705	139,493	67,897	207,929	214,097	88	
B.2 Debt securities	-	-	-	180	-	809	77,663	61,000		
B.3 Other liabilities	4,578	-	-	-	5,785	5,223	379,938	71,409	27,925	
C. Off-balance sheet transactions	**11,942**	**-**	**-**	**63**	**-**	**1**	**594**	**1,493**	**3,701**	
C.1 Physically settled financial derivatives										
- Long positions										
- Short positions										
C.2 Cash settled financial derivatives						1	594	1,493	512	
- Long positions						1	297	747	256	
- Short positions						1	297	747	256	
C.3 Deposits to be received										
- Long positions										
- Short positions										
C.4 Irrevocable commitments to disburse funds	10,909			63					3,189	
- Long positions	3,829			63					3,189	
- Short positions	7,081									
C.5 Financial guarantees issued	1,033									
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										

For a better representation of flows generated by the Bank's operations, prevalently medium/long-term ones and with an amortisation plan, and of the related maturity transformation, the time distribution of cash assets and liabilities is shown also in graphical form.

In particular, we highlight the following points in the graph below:

- a negative gap of €13m in the short-term bracket (up to 6 months), due to the presence of €178m of customer current accounts and demand deposits;
- a negative gap of approximately €518m in the within 1 year band characterised by the maturity of bond loans issued for €78m and the presence of expiring TLTRO loans for €354m;
- a positive gap in the "1 to 3 year" band of about €164m (€163m net of estimated flows from NPLs) characterised by the maturity of bond loans issued for €60m and the maturity of deposits at banks of €20m;
- A positive gap of €314m in the "over 5 years" band.



Disclosure on balance sheet assets pledged as a guarantee [28]

Technical forms	Pledged		Not Pledged		Total 2023	Total 2022
	Book value	Fair value	Book value	Fair value		
1. Cash and cash equivalents	-		48,803		48,803	38,217
2. Debt securities	41,576	37,237	510,433	524,469	552,008	501,833
3. Equity securities	-	-	57,680	57,680	57,680	52,986
4. Loans	657,372		312,117		969,490	994,234
5. Other financial assets	-		19,684		19,684	18,613
6. Non-financial assets	-		8,444		8,444	8,446
Total 2023	**698,948**	**37,237**	**957,160**	**582,149**	**1,656,108**	
Total 2022	**793,963**	**263,178**	**820,366**	**263,683**		**1,614,329**

Disclosure on off-balance sheet own assets pledged as a guarantee

The Bank has not committed any owned assets not recognised in the financial statements either in 2023 or in the previous year as collateral for liabilities.

Eurosystem credit operations

The Bank has entered into one liability-funding transaction with the ECB for a face value of €344.5m[29] guaranteed by securities classified in HTC and HTCS portfolios, in addition to other assets as specified below, stipulated on 22 December 2021 (expiring on 18 December 2024).
According to the requirements of IFRS 7 paragraph 14, we state that:
a) with the above-mentioned contract, the Bank has transferred the securities used as a guarantee to the ownership of the counterparty, to guarantee the full right, with their full value and related appurtenances, their exposure, and any other credit or other right due to the counterparty arising from the financing operation, although not liquid or payable, including arising before or after disbursement of the financing;
b) the value of the guarantee deposit is determined by deducting from the market value, the haircut defined by the European Central Bank for the specific activities, as well as an additional haircut defined by Cassa Centrale Banca for the loan brokered.

Securities not reported in assets in the statement of financial position to guarantee borrowings

At the end of the financial year, the Bank did not have any securities recognised in assets in the statement of financial position used as collateral to guarantee borrowings.

Loans and advances to customers to guarantee borrowings

At year-end, the Bank tied with the Bank of Italy, through the ABACO procedure, a loan portfolio with a book value of €599.9m, as a guarantee for the €344.5m financing (see paragraph "Eurosystem credit operations" for details).

Loans and advances to customers to guarantee mortgage borrowings

In November 2012, the Bank obtained a new credit facility of €50m by the EIB, against which a first contract for €16m has been signed and fully utilised. Such a contract will be guaranteed by the recourse transfer of receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:
a. the book value of the financial assets pledged as guarantee amounted to €7.4m;
b. with the contract referred to above, the Bank transferred irrevocably with recourse to the European Investment Bank, the receivables of any nature due from the final beneficiaries, to guarantee the full and punctual fulfilment of all the obligations of a pecuniary nature assumed by the Bank under the loan agreement with the EIB. The credit assignments amount to at least 100% of the loan liabilities to the EIB, from time to time remaining as the result of principal payments made by the Bank under the loan contract itself;
The contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The EIB has also granted the Bank a mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

In July 2013, a second contract for the remaining €34m was signed, secured by a surety from the Autonomous Region of Trentino-South-Tyrol. The contract has been utilised entirely. The surety from the Autonomous Region of Trentino-South Tyrol is counter-secured by the sale with recourse of the receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:
a. the book value of the financial assets pledged as collateral amounted to €14.2m;

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28 Assets are split into "pledged" and "not pledged" based on the provisions of the legislation in force for the reporting of "Restricted assets on an individual basis" (known as Asset Encumbrance – AEI information base)
29 These transactions are those of the targeted refinancing operations (TLTRO-III).

b. through the aforesaid guarantee contract the Bank transferred with recourse to the Autonomous Region of Trentino-South Tyrol the receivables of any nature, including reimbursement or repayment, due from the final beneficiaries on the basis of the loan agreement that benefits from the EIB resources and of the related guarantee by the Region.
In accordance with the agreement, the effectiveness of the assignment of the loan is dependent on the actual disbursement by the Region of a payment in favour of EIB.

During October 2019, the Bank obtained from the EIB a new credit facility of €50m, fully drawn down.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as guarantee totalled €30.7m;
b. by signing the above-mentioned contracts, the Bank irrevocably assigned with recourse to the EIB financial receivables it is owed by joint-stock companies relating to financing of plants for the production of energy from renewable sources and/or from public entities, as a guarantee of the full and punctual fulfilment of all the pecuniary obligations assumed by the Bank based on the loan agreement with the EIB. The credit assignments amount to at least 100% of the loan liabilities to the EIB, from time to time remaining as the result of principal payments madeby the Bank under the loan contract itself; the contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The EIB has also granted the Bank a mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

In March 2013, the Bank signed an agreement with Cassa Depositi e Prestiti for the granting of one or more loans on a ceiling amount to be used for granting loans to SMEs. Loans for a residual amount of €8.5m had been granted as at 31 December 2023.
These loans are guaranteed by the transfer with recourse of receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:

a. the book value of the financial assets pledged as guarantee amounted to €8.5m;
b. by signing the above-mentioned contract, the Bank transferred with recourse to Cassa Depositi e Prestiti its future credit rights, of any nature, and any other advantageous legal position in relation to these credit rights towards Assigned Debtors and Guarantors in relation to all receivables.
The contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The CDP has also granted the Bank a revocable mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

In June 2023, the Bank signed an agreement with Cassa Depositi e Prestiti for the granting of one or more loans on a ceiling amount to be used for granting loans to SMEs and mid-caps. Loans for a residual amount of €37.9m had been granted as at 31 December 2023.
These loans are guaranteed by the transfer with recourse of receivables due to Mediocredito from the final beneficiaries.
According to the requirements of IFRS 7 paragraph 14, we state that:

c. the book value of the financial assets pledged as guarantee amounted to €37.9m;
d. by signing the above-mentioned contract, the Bank transferred with recourse to Cassa Depositi e Prestiti its future credit rights, of any nature, and any other advantageous legal position in relation to these credit rights towards Assigned Debtors and Guarantors in relation to all receivables.
The contract provides that (for the exclusive purpose of guarantee) the effectiveness of the supply of credit is immediate and remains valid until the full and complete fulfilment of the obligations guaranteed. The CDP has also granted the Bank a revocable mandate for the management of the assigned receivables. The credit risk remains with the Bank and, unless the Bank defaults, the credits will be automatically transferred back to the Bank ownership at the time of their collection.

SECTION 5 – OPERATIONAL RISKS

Qualitative information

A. General aspects, management processes and methods of measuring operational risk

The current capital accord (Basel III) adds operational risks amongst the Pillar I risks – risks for which one is under the obligation to set aside a part of own funds. The operational risk is defined as the risk of loss resulting from inadequate or dysfunctional internal processes, human resources and systems or from external events. This definition includes legal risk (in terms of exposure to fines, or penalties stemming from measures taken by the bank Supervisory Authority) but excludes strategic and reputation risk.
The Basel Committee acknowledges that "operational risk" is a term that may have different meanings to different banks. Still, a clear appreciation and understanding by banks of what is meant by operational risk is critical to the effective management and control of this risk category.
The Basel Committee has identified the following types of operational risk events as having the potential to result in substantial losses: fraud (internal and external), violation of employee health and safety rules, violation of rules regulating the client-bank relationship, damage to property, plant and equipment, business disruption and system failure and finally operational and/or procedural non-compliance).
After evaluating the opportunities and systems for managing operational risk - paying attention to the impact of installation and maintenance costs and to organisational costs and considering the limited exposure to this type of risk - the Bank chose to adopt the basic model. In the future, it might adopt an advanced internal model only after the business model has significantly evolved and diversified.
The Bank, within the scope of internal control systems, developed and continues to develop activities and initiatives on the theme of monitoring and management of operational risk. In particular, the following is worth noting:

- the adoption of the non-compliance risk management model focusing on periodic reports by the responsible department (reports, audit reports, opinions, etc.) to the governing bodies, the General Management and the control structures or functions of the Bank and targeted not only at risk monitoring but at spreading a corporate ethos based on the principles of honesty, fairness and compliance with the rules;
- the composition and activity of the Risks Committee: in addition to the corporate control functions, an independent Director, the General Manager and the manager responsible for preparing the financial documents of the Bank also take part in the Committee.

Among its primary purposes, the Committee (i) discusses the status of the internal control system, assessing the overall effectiveness of the controls, also in relation to the risk appetite framework - RAF adopted by the Bank, (ii) coordinates the scheduled activities and the relative methods of execution in relation to risk control, and (iii) annually examines the ICAAP and ILAAP processes report;
- the focus on the administrative responsibility of the company (Legislative Decree no. 231/2001), whose monitoring is entrusted to the Board of Statutory Auditors in cooperation with the internal structures;
- the creation of the anti-money laundering function dedicated to overseeing regulations under Legislative Decree 231/07;
- the continuation of the traditional assessment of the risk profiles, also on the themes of organisation and IT technologies, as part of the preparation and revision of the Risk Appetite Framework;
- the careful management of ICT risks, which involves three levels, in order to guarantee constant and specialised regulatory and technical oversight:
  - ICT and security function (operating structure, responsible for line/level I controls);
  - ICT Risk function (control structure, responsible for level II controls);
  - Audit function (control structure, responsible for level III controls);
- the ongoing updating, in accordance with the "Provisions for the Supervision of banks" (Bank of Italy Circular no. 285 of 17 December 2013 and subsequent amendments), of the Regulation for the Flow of Information, in order to promote structured forms of communication and exchange of complete, timely and accurate information inside the corporate bodies, between different organs and from the structure to the governing bodies;
- agreement between the compliance and internal audit functions to enhance the interaction between the two structures and make the functioning of internal controls more efficient, providing forms of cooperation for the conduct of audits; in particular, in this context, it should be noted that the interventions are shared during the drafting of the relative annual plans of the activities and that some audit activities are carried out jointly - each for its own areas of competence;
- the separation of the internal control (compliance, anti-money-laundering, risk management, ICT risk and internal audit) from the operational structures of the Bank, reporting directly to the Board of Directors (the body with strategic supervision and management functions) in order to ensure maximum autonomy of action, hierarchical independence and freedom of access to all information sources of the Bank;
- the continuous process of updating and upgrading of the Internal Control System, with particular reference to maintaining the mapping of business-critical activities and the definition / expansion of the internal second level controls, both for compliance and risk-management;
- the constant updating of the operational processes of the Bank (also through the introduction of automated systems for operational support and control), with particular reference to the related regulations on anti-money laundering, transparency, usury and privacy;
- the presence of an updated internal system for reporting violations - Whistleblowing (computer system for reporting violations that guarantees the confidentiality of the reporter) guided by a specific regulation;
- the adoption of a policy on Product Oversight and Governance of banking products - POG, in implementation of the Guidelines of the European Banking Authority on governance and control mechanisms for retail banking products.

Following the migration of the information system (which took place at the end of 2022), the overall review process of the internal control system continued in 2023, focusing, in particular, on the following aspects:
1. complete assimilation of the new IT procedures;
2. analysis of supporting instruments, with particular reference to the following operating areas: loan and NPLs monitoring, risk management, - anti-money laundering, product catalogue/transparency, impairment management, liquidity management;
3. redefinition of first and second level control points;
4. updating of the mapping of operating processes;
5. adjustments of internal regulations (regulations/policies) to the changed operating processes and/or supporting tools.

With particular reference to points 3, 4 and 5, this activity is still ongoing and will be developed during 2024 with the support of a specific Working Group that involves the various company process owners and the company control functions.

Legal risks

The risks associated with litigation that involves the Bank are constantly monitored by the Legal Department.
Where a legal and accounting analysis shows the possibility of a negative outcome with a probable outflow of financial resources, the Bank shall put aside sufficient allocations to the provisions for risks and charges as a precaution, based on an estimate as reliable as possible, as well as implement settlement policies, if possible.
In particular, it is noted that:
- in 2017, the Bank had adjusted the allocation to cover the revocatory action brought by the extraordinary administration of Giacomelli Sport, following the recent judgement of the Court of Appeal, which declared further payments totalling €11.6m to the company to be ineffective, bringing it to 75% of the amount at risk. During 2018, Mediocredito, enforcing the judgement, returned €1.359m. Considering that the proceedings are still pending before the Court of Cassation and that in any case the objection that may be raised against the loan syndicate leader in the negative case remains active, the loan from the extraordinary administration continues to be recognised as a contra-entry to the provision for legal risks for 100% of the amount reimbursed;
- in 2014, the existence of a contingent liability related to the claim for damages by the plaintiff on the Carolina S.r.l. position for a total of €3.6m was the subject of evaluation; to date, there is no concrete evidence that would support the acceptance of the claims of bankruptcy. For this reason, the Bank does not consider the creation of a special provision dedicated to litigation risks justifiable at the current state of play.

PART F
INFORMATION ON EQUITY

SECTION 1 - EQUITY

A. QUALITATIVE INFORMATION

The equity is composed of share capital (ordinary shares) and additional paid-in capital and reserves. The reserves are the aggregate of the legal reserve, the extraordinary reserve, and the reserves created in application of IAS/IFRS. The valuation reserves are the aggregate of fair value reserves related to financial assets at fair value through other comprehensive income, reserves from actuarial gains/losses related to defined benefit plans (severance indemnities) and those reserves that originate from the monetary revaluation of real estate. The adequacy of the equity is also monitored in relation to the minimum capital requirements specified by the supervisory regulations.

B. QUANTITATIVE INFORMATION

B.1 Equity: breakdown

Items/Amounts	2023	2022
1. Share capital	58,485	58,485
2. Additional paid-in capital	29,841	29,841
3. Reserves	96,234	90,526
- profit	96,234	90,526
a) legal	20,091	20,091
b) statutory	64,333	58,544
c) treasury shares	-	-
d) other	11,809	11,891
- others	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves	9,959	4,266
- Equity securities designated at fair value through other comprehensive income	7,941	5,523
- Coverage 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	(1,912)	(5,196)
- Property, plant and equipment		
- Intangible assets		
- Hedges of foreign investments		
- Cash flow hedges		
- Hedging instruments (elements not designated)		
- Exchange differences		
- Non-current assets and groups of assets held for sale		
- Financial liabilities designated at fair value through profit or loss (change in the Bank's creditworthiness)		
- Actuarial gains (losses) on defined benefit plans	(389)	(379)
- Valuation reserves from investments accounted for using the equity method		
- Special revaluation laws	4,318	4,318
7. Profit (loss) for the year	6,069	6,043
Total	**200,588**	**189,161**

B.2 Valuation reserves for financial assets measured at fair value through other comprehensive income: breakdown

Assets/Amounts	2023		2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	201	(2,113)	196	(5,392)
2. Equity securities	10,006	(2,065)	7,106	(1,583)
3. Loans	-	-	-	-
Total	**10,207**	**(4,177)**	**7,302**	**(6,975)**

B.3 Valuation reserves for financial assets measured at fair value through other comprehensive income: annual changes

	Debt securities	Equity securities	Loans
1. Opening balance	**(5,196)**	**5,523**	**-**
2. Positive changes	**3,284**	**3,944**	**-**
2.1 Fair value increases	1,838	3,944	-
2.2 Net adjustments to credit risk	13		-
2.3 Reclassification through profit or loss of negative reserves following disposal	1,434		-
2.4 Transfers to other shareholders' equity components (equity securities)			-
2.5 Other increases			-
3. Negative changes	**-**	**1,527**	**-**
3.1 Fair value decreases	-	1,527	-
3.2 Write-backs for credit risk			-
3.3 Reclassification through profit or loss of positive reserves following disposal			-
3.4 Transfers to other shareholders' equity components (equity securities)			-
3.5 Other changes			-
4. Closing balance	**(1,912)**	**7,941**	**-**

B.4 Valuation reserves relating to defined benefit plans: annual changes

	2023	2022
A. Opening balance	**(379)**	**(476)**
B. Increases	**-**	**-**
B.1 Actuarial losses	(10)	-
C. Decreases	**-**	**97**
C.1 Actuarial gains	-	97
D. Closing balance	**(389)**	**(379)**

SECTION 2 - OWN FUNDS AND CAPITAL RATIOS

For a review of Own Funds and capital ratios, refer to the information on own funds and capital adequacy contained in the public disclosure ("Third Pillar"), as well as to the paragraph "Equity and the state of affairs of the Company" in the Report on Operations.

PART H - RELATED PARTY TRANSACTIONS

INFORMATION ON REMUNERATION OF MANAGERS WITH STRATEGIC RESPONSIBILITIES

The remuneration shown refers to the Directors and Managers with strategic responsibilities who held these positions in 2023, as per IAS 24 paragraph 17.
The remuneration paid to members of the Board of Directors and to the Board of Statutory Auditors is established in the appropriate Shareholders' Meeting resolution.

	Emoluments and social security contributions	Bonuses and other short-term benefits	Severance indemnities and pension fund
Directors and General Manager	743	46	29
Statutory Auditors	117		

RELATED PARTY TRANSACTION DISCLOSURE

The following tables were prepared according to IAS 24 and in particular, the breakdown of transactions performed with related parties was carried out in accordance with the instructions outlined in paragraphs 18 and 19 of the same standard.

Receivables and payables

Related parties	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Other assets	Financial liabilities measured at amortised cost	Sundry payables
Entities that have joint control and significant influence over the Company	-	6,786	19	113,426	-
Directors and Managers with strategic responsibilities	-	423	-	20	-
Subsidiary companies	-	7,176	-	-	-
Total	**-**	**14,385**	**19**	**113,446**	**-**

Financial assets measured at amortised cost

With regard to the amounts shown in the "Entities that have joint control and significant influence over the Company", these are made up for €452 thousand of cash on current accounts, for €5.0m of loans and advances granted to companies functional to the Autonomous Province of Trento and for €1.3m of loans for FRAM instalments allocated and not yet collected by customers.
In the item "Directors and managers with strategic responsibilities" the value indicated relates to loans to a company controlled by a member of the Board of Directors, granted prior to the same taking up office.
Under the heading "Subsidiary companies", the value refers to a credit facility granted by the Bank to the subsidiary Paradisidue S.r.l. (based in Trento - Via Paradisi 2, Tax Code 01856850225), for the acquisition and renovation of properties in the context of bankruptcy proceedings. The loan was granted for €10.0m with revocable maturity, with remuneration at the 1-month Euribor.

Other assets

These are items in processing related to pooled transactions.

Financial liabilities measured at amortised cost

These are made up for €79.2m of deposits from functional companies in the Autonomous Province of Trento and for €13.0m of the funds of the two Autonomous Provinces under administration and for €1m of bonds issued by us subscribed by Cassa Centrale Raiffeisen.

Costs and revenues

Related parties	Interest income	Fee and commission income	Dividends/ other revenues	Interest expense	Fee and commission expenses	Other expenses
Entities that have joint control and significant influence over the Company	285	-	-	2,260	68	4
Directors and Managers with strategic responsibilities	31	-	-	-	-	-
Subsidiary companies	37	-	-	-	-	-
Total	**352**	**-**	**-**	**2,260**	**68**	**4**

Transactions with entities that have joint control and significant influence over the Company refer to relations with those shareholders who have joint control over the Bank, also due to agreements between the parties. Transactions with these shareholders were carried out under equivalent conditions to those that prevail in arm's length transactions. The Autonomous Region of Trentino-South Tyrol also provides a surety in the interest of the Bank to the EIB for €8.0m; the Bank pays a commission of 0.4% per annum to the Region.

PART L - SEGMENT REPORTING

In spite of the essential single sector character of the Bank's business operations and the associated geographic concentration of activities predominantly in North-eastern Italy, geographical disclosures are provided, as the Bank belongs to the category of listed issuers pursuant to transparency regulations.
On the other hand, information is not shown by business segment (secondary format) as this breakdown does not comply with the requirements of IFRS8 §13 as it is not significant.[30]
The present disclosure was prepared according to the requirements of IFRS 8, based on internal reports for the Management and the Board of Directors: it makes reference primarily to the classification of activities originated from commercial regional/geographical units while the secondary diagram with the breakdown of business by product was not provided, given the business focus on one sector. Less significant data are also reported to observe the management approach to reporting.
Income statement/statement of financial position results are determined on the basis of the following principles:

- the net interest income is obtained by applying the internal transfer rates consistent with the financial characteristics of the products;
- net commissions are punctually attributed to the customer/area/product who/which has generated them;
- direct costs and manufacturing costs have been respectively charged in a punctual manner and on the basis of criteria of reversal of actual costs and only for the primary reporting basis, in keeping with internal management data processed;
- central services costs (Management, Auditing, Planning and Control, Compliance, Risk Management, Administration, ...) have been charged to Head Office;
- statement of financial position components relate to volumes administered by the respective organisational units and are expressed in terms of interest-bearing balances at the end of the period.

SEGMENT REPORTING (NOTES)

The tables that are provided, prepared on the basis of internal management reports and applying the above-mentioned criteria, show a homogeneous distribution of margins among the main regional units.
The Veneto area recorded a greater incidence of costs, characterised by a larger loan portfolio than the other areas. In relation to the cost of risk, also when including the Structure/Head office that also includes changes in the fair value of investments in UCITS, the South Tyrol area shows higher absolute values while all other areas record net value reversals.

A.1 Distribution by geographical area of activity: income statement data in 2023

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amount
Net interest income	**1,550**	**2,204**	**2,142**	**984**	**1,194**	**12,317**	**20,391**
Net commissions	**346**	**454**	**10**	**(8)**	**154**	**741**	**1,697**
Dividends and other trading and hedging gains						**(992)**	**(992)**
Net interest and other banking income	**1,896**	**2,657**	**2,152**	**976**	**1,349**	**12,065**	**21,095**
Write-backs/Adjustments to fin. assets	**1,255**	**(830)**	**472**	**515**	**389**	**(1,523)**	**277**
Net income from financial activities	**3,152**	**1,828**	**2,623**	**1,491**	**1,737**	**10,542**	**21,373**
Total operating costs	**(1,032)**	**(1,002)**	**(1,464)**	**(691)**	**(721)**	**(7,815)**	**(12,726)**
Profit before income taxes	**2,119**	**826**	**1,159**	**800**	**1,017**	**2,727**	**8,647**

[30] An entity must provide separate information regarding an operating segment that meets any of the following quantitative thresholds:
a) revenues subject to disclosure, including both sales to third-party customers and sales or transfers between segments, account for at least 10% of total revenues, internal and external, of all operating segments;
b) the amount of the relative profit or loss in absolute value is at least 10% of the higher, in absolute value, of the following amounts: i) the total profit relating to all operating segments in profit and ii) the overall loss relating to all loss-making segments;
c) its assets represent at least 10% of the total assets of all operating segments.

A.1 Distribution by geographical area of activity: income statement data in 2022

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/ Head office	Overall amount
Net interest income	**1,533**	**2,083**	**2,278**	**1,075**	**1,205**	**12,108**	**20,283**
Net commissions	498	322	(18)	179	123	634	**1,738**
Dividends and other trading and hedging gains	-	-	-	-	-	2,370	***2,370***
Net interest and other banking income	**2,031**	**2,405**	**2,260**	**1,255**	**1,328**	**15,113**	**24,391**
Write-backs/Adjustments to fin. assets	383	(823)	(1,318)	(14)	(649)	(1,027)	**(3,449)**
Net income from financial activities	**2,414**	**1,582**	**942**	**1,241**	**679**	**14,085**	**20,942**
Total operating costs	(1,070)	(882)	(1,401)	(687)	(716)	(7,673)	**(12,428)**
Profit before income taxes	**1,344**	**700**	**(459)**	**554**	**(37)**	**6,413**	**8,514**

A.2 Distribution by geographical area of activity: statement of financial position data Dec. 2023

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/Head office	Overall amount
Lending operations	181,657	179,133	228,479	122,358	120,373	508,044	**1,340,044**
Borrowing operations							**1,472,979**

A.2 Distribution by geographical area of activity: statement of financial position data at Dec. 2022

	Trentino	South Tyrol	Veneto	Lombardy	Emilia	Structure/Head office	Overall amount
Lending operations	206,363	198,293	220,202	123,292	122,959	650,630	**1,521,739**
Borrowing operations							**1,440,116**

PART M - DISCLOSURE ON LEASES

SECTION 1 - LESSEE

QUALITATIVE DISCLOSURE

The Bank continuously checks for the presence of contracts potentially falling within the scope of IFRS 16; this activity made it possible to identify as the contracts subject to the new standard the long-term car rentals and real estate lease contracts.
It should be noted that the Bank has taken advantage of the option, provided by paragraph 6 of IFRS 16, not to apply the provisions of paragraphs 22-49, continuing to recognise payments due for the leases as a cost based on the accrual principle, similarly to what has been done in the past for contracts with an amount of less than €5 thousand or with a duration of less than 12 months. The case in question was not present as at 31 December 2022 nor it was during the year.

QUANTITATIVE DISCLOSURE

With regard to the additional disclosures required by IFRS 16 paragraph 59, refer to:
- Part B, Assets, Section 8 - Property, plant and equipment, for disclosures on rights of use acquired under leases;
- Part B, Liabilities, Section 1 - Financial liabilities measured at amortised cost, for disclosures on lease payables;
- Part C, Income Statement, Section 1 - Interest, for disclosures on interest expense on lease payables.

The following table shows the depreciation charges for assets consisting of the right of use broken down by class of underlying asset.

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a + b - c)
A. Rights of use acquired under leases	(69)			(69)
Buildings	(43)			(43)
Vehicles	(26)			(26)
Total	**(69)**			**(69)**

Long-term rental contracts in which the Bank acts as lessee do not contain clauses that could give rise to potential cash flows that are not included in the measurement of the lease liability, such as:
i) variable payments related to the lease contract;
ii) extension options and termination options;
iii) guarantees on residual value; and
iv) leases not yet signed to which the lessee committed itself.

With regard to real estate leases, however, note that:
i) the Bank is potentially exposed to payments related to the lease contract (referring in particular to the ISTAT revaluation), which are not included in the measurement of the lease liability;
ii) a contract - relating to the rental of parking spaces servicing the Bolzano Head Office, also leased - contains an automatic renewal clause for a further six years; the Bank considers the potential financial flows deriving from this clause to be null and void in that the search for a new building to be used as the head office of Bolzano is underway.
iii) the Bank has not provided guarantees on the residual value of the leased asset, and
iv) has no commitments to enter into lease contracts not included in the value of the lease liability recognised in the financial statements.

Finally, note that no gains/losses deriving from sale and leaseback transactions, as well as income deriving from sub-leasing transactions, were recognised.

SECTION 2 - LESSOR

QUALITATIVE DISCLOSURE

Mediocredito offers finance lease contracts for companies that intend to use real estate that is in furtherance of their economic activity, without the immediate purchase of property (shops, warehouses, industrial plants and sheds, offices, hotels, etc.).
In recent years, the Bank added to this activity public leasing operations (public-private partnerships) and, since 2019, capital goods leases.
As lessor, the risk related to the rights that the Bank retains on the underlying assets is only managed in special cases by entering into buy-back agreements; the estimate of the residual unsecured values used in the calculation of the gross investment in the lease is reviewed periodically for contracts classified as impaired and for lease contracts of significant amount.

QUANTITATIVE DISCLOSURE

1. Disclosures on statement of financial position and income statement

Refer to:
- Part B, Assets, Section 4 - Financial assets measured at amortised cost, for disclosures on lease financing;
- Part C, Income Statement, Section 1 - Interest, for disclosures on interest income on lease financing.

2. Finance lease

2.1 Classification by time bands of payments to be received and reconciliation with lease financing recorded under assets

Time bands	2023 Lease payments to be received	2022 Lease payments to be received
Past due lease payments	299	410
Up to 1 year	33,266	20,584
From 1 to 2 years	32,164	19,307
From 2 to 3 years	30,252	18,759
From 3 to 4 years	25,909	17,601
From 4 to 5 years	20,317	14,083
Over 5 years	72,748	58,075
Total lease payments to be received	**214,955**	**148,410**
RECONCILIATION WITH FINANCING	**42,073**	**19,838**
Financial income not accrued (-) [1]	42,073	19,838
Residual unsecured value (-) [2]	-	-
Lease financing	**172,882**	**128,982**

	Gross	Adjust.	Net	Gross	Adjust.	Net
Receivables in the financial statements	172,882	5,595	**166,287**	128,982	4,511	**124,471**

1 In order to allow for the reconciliation between payments to be received and gross loans shown in the financial statements, "Financial income not accrued", equal to the portion of interest implicit in future lease payments net of accruals as at 31 December of each year, is shown at the value calculated using the amortised cost method.

2 The Bank has not recorded any impairment losses relating to the residual unsecured value of finance leased assets.

ANNEXES

Annexe 1 – Country by Country Reporting in accordance with Article 89 of Directive no. 2013/36/EU ("CRD IV")

Annexe 2 – Financial statements of the subsidiary company Paradisidue S.r.l.

Annexe 3 – Glossary of ratios

ANNEXE 1
COUNTRY BY COUNTRY REPORTING

(in accordance with Article 89 of Directive no. 2013/36/EU ("CRD IV")

Reference date for information	31 December 2023
Country of establishment	Italy
Companies established	Mediocredito Trentino-Alto Adige S.p.A.
Nature of activity	Financial services to businesses Trading and sales Commercial banking services Retail banking services
Turnover (net interest and other banking income)	€21,687,006
Number of employees (full-time equivalent)	83.2
Profit before taxes	€8,647,338
Taxes on profit	€(2,577,848)
Public contributions received	€38,159

ANNEXE 2
FINANCIAL STATEMENTS OF THE SUBSIDIARY COMPANY PARADISIDUE S.R.L.

(prepared in abridged form under Article 2435 bis of the Italian Civil Code)

PARADISIDUE

Single-member private limited liability company
Registered office at Via Paradisi, 1 – Trento
Fully paid-up capital €10,000.00
Registered with the Trento Register of Companies under no. 01856850225
Member company of "Gruppo Bancario Mediocredito Trentino – Alto Adige"
Under the first paragraph of Article 2497-bis, par. 1 of the Italian Civil Code the Company is subject to the management and coordination of Mediocredito Trentino-Alto Adige S.p.A. with registered office in Trento – Via Paradisi, 1 – Tax code and Trento Register of Companies no. 00108470220 – Bank register no. 4764

- ASSETS
- EQUITY AND LIABILITIES
- GUARANTEES AND COMMITMENTS
- INCOME STATEMENT

STATEMENT OF FINANCIAL POSITION

(in Euro)

ASSETS	31/12/2023	31/12/2022
B. FIXED ASSETS		
I. Intangible assets	**-**	**-**
II. Property, plant and equipment	**2,118,017**	**1,209,407**
III. Financial assets	**-**	**-**
C. CURRENT ASSETS	**5,831,582**	**6,528,390**
I. Stocks	5,361,338	5,595,949
II. Receivables payable within one year	461,113	929,190
III. Financial assets - current assets	-	-
IV. Cash and cash equivalents	9,130	3,251
D. ACCRUED LIABILITIES AND DEFERRED INCOME	**10,376**	**17,932**
TOTAL ASSETS	**7,959,974**	**7,755,729**

EQUITY AND LIABILITIES	31/12/2023	31/12/2022
A. EQUITY	**554,589**	**396,303**
I. SHARE CAPITAL	10,000	10,000
II. Additional paid-in capital	-	-
III. Valuation reserve	-	-
IV. Legal reserve	2,000	2,000
V. Reserve for treasury shares	-	-
VI. Statutory reserves	-	-
VII. Other reserves	384,303	366,497
VIII. Losses carried forward	-	-
IX. Income (Loss) for the year	158,286	17,806
B. PROVISIONS FOR RISKS AND CHARGES	**-**	**-**
C. PROVISION FOR SEVERANCE INDEMNITIES	**-**	**-**
D. CREDITORS	**7,405,385**	**7,347,090**
Payables due within one year	7,372,263	7,313,871
Payables due after one year	33,122	33,219
E. ACCRUED LIABILITIES AND DEFERRED INCOME	**-**	**12,336**
TOTAL EQUITY AND LIABILITIES	**7,959,974**	**7,755,729**

GUARANTEES AND COMMITMENTS

(in Euro)

GUARANTEES AND COMMITMENTS	31/12/2023	31/12/2022
Personal guarantees issued/received	-	-
TOTAL GUARANTEES AND COMMITMENTS	**-**	**-**

INCOME STATEMENT

(in Euro)

INCOME STATEMENT	31/12/2023	31/12/2022
A. PRODUCTION VALUE	**829,006**	**808,890**
1) Revenues from sales and services	451,587	601,822
2) Variation in stocks of finished goods and in work in progress	-	-
3) Variation in stocks of contract work in progress	-	-
4) Increases in own work capitalised	-	-
5) Other revenues and income	377,419	207,068
B. PRODUCTION COSTS	**623,923**	**773,041**
6) Raw materials, subsidiary materials, consumables and goods	22,045	30,272
7) Services	145,854	167,372
8) Use of third parties' assets	-	-
9) Payroll	-	-
10) Amortisation, depreciation and write-downs	182,850	124,720
a) amortisation of intangible assets	-	-
b) depreciation of property, plant and equipment	*171,613*	*120,903*
d) write-down of receivables included under current assets and cash and cash equivalents	*11,237*	*3,818*
11) Variation in stocks of raw materials, subsidiary materials, consumables and goods	234,610	406,897
12) Provision for risks	-	-
13) Other provisions	-	-
14) Other operating charges	38,564	43,779
DIFFERENCE BETWEEN PRODUCTION VALUE AND PRODUCTION COSTS	*205,083*	*35,849*
C. FINANCIAL INCOME AND CHARGES	**(36,557)**	**(17,207)**
15) Income from equity investments		
16) Other financial income		
17) Interest and other financial charges	(36,557)	(17,207)
D. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS		
18) Revaluations		
19) Write-downs		
E. EXTRAORDINARY INCOME AND CHARGES		
20) Extraordinary income		
21) Extraordinary charges		
RESULT BEFORE TAXES	*168,526*	*18,642*
INCOME TAXES	(10,240)	(836)
NET INCOME (LOSS) FOR THE YEAR	**158,286**	**17,806**

ANNEXE 3
GLOSSARY OF RATIOS

COST TO INCOME RATIO

$$\frac{\textit{operating costs}}{\textit{net interest and other banking income}}$$

The amount of operating costs that are used in the calculation of the ratio shown in the Report on Operations and precisely in the section "Income statement dynamics" (€12.901m) corresponds to the amount shown in item 210. of the income statement (€12.924m), decreased by the net gains on the sale of investments, if present (see item 250. of the income statement), increased by the interest expense on the payable to lessees of €2,714, write-backs on provisions for legal risks relating to disputes on loans (if present) and negative net provisions for risks and charges for commitments and guarantees issued of €26 thousand.

Net interest and other banking income is calculated in the amount of €21.095m, equal to the amount shown in the financial statements (€21.687m) net of the gains on disposal of loans (an increase of €0.095m), and the time reversal write-backs on NPLs (a reduction of €0.243m), of the write-down of NPLs interests (€0.049 thousand), the Net result of financial assets and liabilities mandatorily measured at fair value (a reduction of €0.305m, item 110.b) and interest expense on the payable to lessees for an increase of €2,714.

TOTAL CAPITAL RATIO

$$\frac{\textit{own funds}}{\textit{risk-weighted assets}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations under section "Equity and the state of affairs of the Company" (€194.226m and €781.177m, respectively).

GROSS DOUBTFUL LOANS TO GROSS LOANS TO CUSTOMERS

$$\frac{\textit{gross doubtful loans}}{\textit{gross loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €11.178m and €1,030.232m, respectively.

NET DOUBTFUL LOANS TO NET LOANS TO CUSTOMERS

$$\frac{\textit{net doubtful loans}}{\textit{net loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €3.515m and €998.649m, respectively.

GROSS DOUBTFUL LOANS TO OWN FUNDS

$$\frac{\textit{gross doubtful loans}}{\textit{own funds}}$$

The amount of gross doubtful loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €11.178m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €194.226m.

NET DOUBTFUL LOANS TO OWN FUNDS

$$\frac{\textit{net doubtful loans}}{\textit{own funds}}$$

The amount of net doubtful loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €3.515m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €194.226m.

GROSS IMPAIRED LOANS TO GROSS LOANS TO CUSTOMERS

$$\frac{\textit{gross impaired loans}}{\textit{gross loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €33.530m and €1,030.232m, respectively.

NET IMPAIRED LOANS TO NET LOANS TO CUSTOMERS

$$\frac{\textit{net impaired loans}}{\textit{net loans}}$$

The amounts used in the calculation of the ratio are shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and come to €16.400m and €998.649m, respectively.

GROSS IMPAIRED LOANS TO OWN FUNDS

$$\frac{\textit{gross impaired loans}}{\textit{own funds}}$$

The amount of gross impaired loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €33.530m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €194.226m.

NET IMPAIRED LOANS TO OWN FUNDS

$$\frac{\textit{net impaired loans}}{\textit{own funds}}$$

The amount of net impaired loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €16.4010m. The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €194.226m.

TEXAS RATIO

$$\frac{\textit{gross impaired loans + buildings}}{\textit{own funds + allowance for doubtful accounts (impaired loans)}}$$

The amount of gross impaired loans used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €33.530m. The amount relating to buildings is shown in the Notes to the Financial Statements, Part B, table 8.1, items 1.a (€1.950m) and 1.b (€5.096m) and table 8.2, item 1.a (€0.116m).
The amount relating to Own Funds used in the calculation of the ratio is shown in the Report on Operations under section "Equity and the state of affairs of the Company" and comes to €194.226m.
The amount of allowance for doubtful accounts (impaired loans) used in the calculation of the ratio is shown in the Report on Operations in the chapter on Lending operations, under section "Impaired loans" and comes to €17.130m.

PAYROLL TO NET INTEREST AND OTHER BANKING INCOME

$$\frac{\textit{payroll}}{\textit{net interest and other banking income}}$$

The amount of payroll (€7.868m) used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics" correspond to the amount shown in the income statement in item 160.a (€7.868m).
Net interest and other banking income is calculated in the amount of €21.095m, equal to the amount shown in the financial statements (€21.687m) net of the gains on disposal of loans (an increase of €0.095m), and the time reversal write-backs on NPLs (a reduction of €0.243m), of the write-down of NPLs interests (€0.049 thousand), the Net result of financial assets and liabilities mandatorily measured at fair value (a reduction of €0.305m, item 110.b) and interest expense on the payable to lessees for an increase of €2,714.

AVERAGE COST PER EMPLOYEE

$$\frac{\textit{payroll}}{\textit{average number of employees}}$$

The payroll used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics", amounted to €7.289m and is found in table 10.1 of Part "C - Information on the Income Statement" in item 1) of the Notes to the Financial Statements.
The average number of employees (83.2) is shown in the Notes to the Financial Statements, Part "C – Information on the Income statement", in the additional table at the end of table 10.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

NET INTEREST AND OTHER BANKING INCOME TO AVERAGE NUMBER OF EMPLOYEES

Net interest and other banking income is calculated in the amount of €21.095m, equal to the amount shown in the financial statements (€21.687m) net of the gains on disposal of loans (an increase of €0.095m), and the time reversal write-backs on NPLs (a reduction of €0.243m), of the write-down of NPLs interests (€0.049 thousand), the Net result of financial assets and liabilities mandatorily measured at fair value (a reduction of €0.305m, item 110.b) and interest expense on the payable to lessees for an increase of €2,714.
The average number of employees (83.2) is shown in the Notes to the Financial Statements, Part "C – Information on the Income statement", in the additional table at the end of table 10.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

TOTAL ASSETS TO AVERAGE NUMBER OF EMPLOYEES

$$\frac{\textit{total assets}}{\textit{average number of employees}}$$

The amount of total assets that was used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics" comes to €1,699.262m, as shown in the financial statements of the Company. The average number of employees (83.2) is shown in the Notes to the Financial Statements, Part "C – Information on the Income statement", in the additional table at the end of table 10.2, and it is calculated as a weighted average taking into consideration the effective number of hours for the part-time contracts.

ROE – RETURN ON EQUITY

$$\frac{\textit{net income for the year}}{\textit{equity (excluding net income for the year)}}$$

The amount of net income for the year used for the calculation of the ratio shown in the Report on Operations in section "Income statement dynamics" comes to €6.069m, as shown in item 300. of the Income Statement. Equity (excluding net income for the year) amounts to €194.519m and is the sum of items 110. "Valuation reserves", 140. "Reserves", 150. "Additional paid-in capital" and 160. "Share capital" of Statement of Financial Position liabilities.

RESOLUTION OF THE SHAREHOLDERS' MEETING

With the presence of 111,546,400 shares of 112,470,400 shares that make up the Company's share capital, the ordinary Shareholders' Meeting of 24 April 2024 unanimously

approved

- the report on operations presented by the Board of Directors for the year ended as at 31 December 2023;
- the financial statements for the year ended as at 31 December 2023 (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements);
- the allocation of net income.