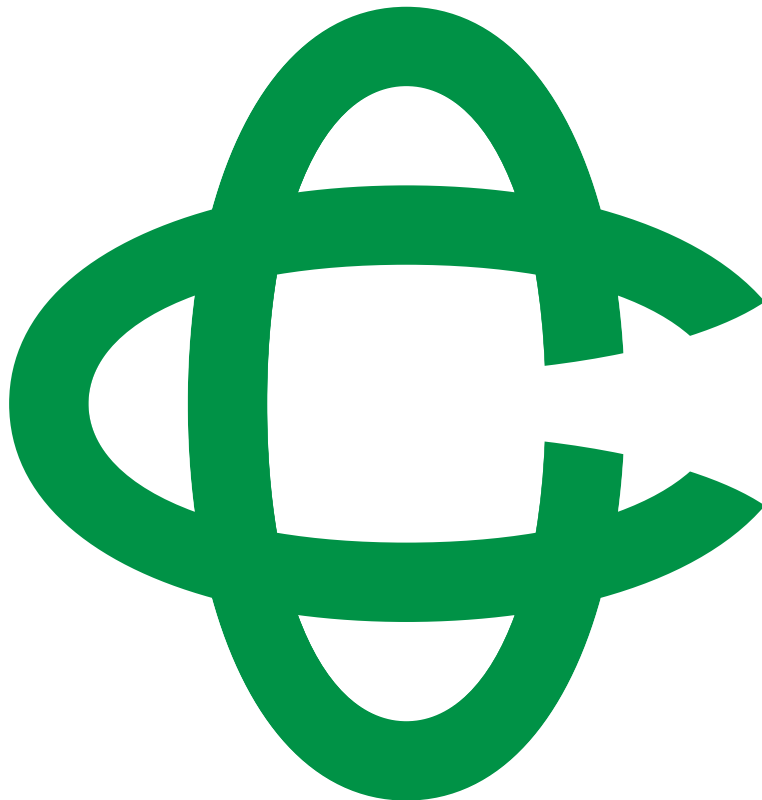
REPORTS AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2022



GRUPPO BCC
ICCREA

Report and consolidated financial statements at December 31, 2022 of the Iccrea Cooperative Banking Group

Report and separate financial statements at December 31, 2022 of the Parent Company Iccrea Banca S.p.A.

Iccrea Banca S.p.A.
Istituto Centrale del Credito Cooperativo
Parent Company of the Iccrea Cooperative Banking Group
Registered office and headquarters: Via Lucrezia Romana 41/47 - 00178 Rome, Italy
Share capital: €1,401,045,452.35 fully paid up
VAT reg. no. and tax ID no. 04774801007 - R.E.A. of Rome n. 801787
Participating entity in the Group VAT mechanism of the Iccrea Cooperative Banking Group, Vat reg. no. 15240741007
Entered in the Register of Banking Groups
Entered in the Register of Banks at no. 5251
ABI code no. (08000)

BCC BANCA ICCREA

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REPORT AND CONSOLIDATED FINANCIAL STATEMENTS OF THE ICCREA COOPERATIVE BANKING GROUP

CONSOLIDATED REPORT ON OPERATIONS

December 31, 2022

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CORPORATE BOARDS

Elected at the Ordinary Shareholders' Meeting of June 16, 2022, for the 2022-2024 term

BOARD OF DIRECTORS

MAINO Giuseppe	*Chairman*
STRA Pierpaolo	*Senior Deputy Chairman*
FIORDELISI Teresa	*Deputy Chairman*
GAMBI Giuseppe (3) (5)	
BENABDALLAH Nadia	
ALFIERI Lucio (1)	
CARRI Francesco	
OTTOBONI Roberto	
ZONI Laura* (2) (4)	
RIMOLDI Enrica* (1) (4) (5)	
LEONE Paola* (2) (3)	
MENEGATTI Luigi* (1) (3) (4)	
LONGHI Maurizio	
PIVA Flavio	
PETRINI Paola (2) (5)	

* Independent directors

(1) Member of the Risks Committee
(2) Member of the Appointments Committee
(3) Member of the Remuneration Committee
(4) Member of the Affiliated Bank Controls & Interventions Committee
(5) Member of the Environmental Social Governance Committee

EXECUTIVE COMMITTEE

CARRI Francesco	*Chairman*
BENABDALLAH Nadia	
LONGHI Maurizio	
PIVA Flavio	
OTTOBONI Roberto	

BOARD OF AUDITORS

ZANARDI Barbara	*Chairman*
ANDRIOLO Riccardo	*Standing Auditor*
CAPUANO Claudia	*Standing Auditor*
ROCCHETTI Vittorio	*Alternate Auditor*
CIGNOLINI MICHELA	*Alternate Auditor*

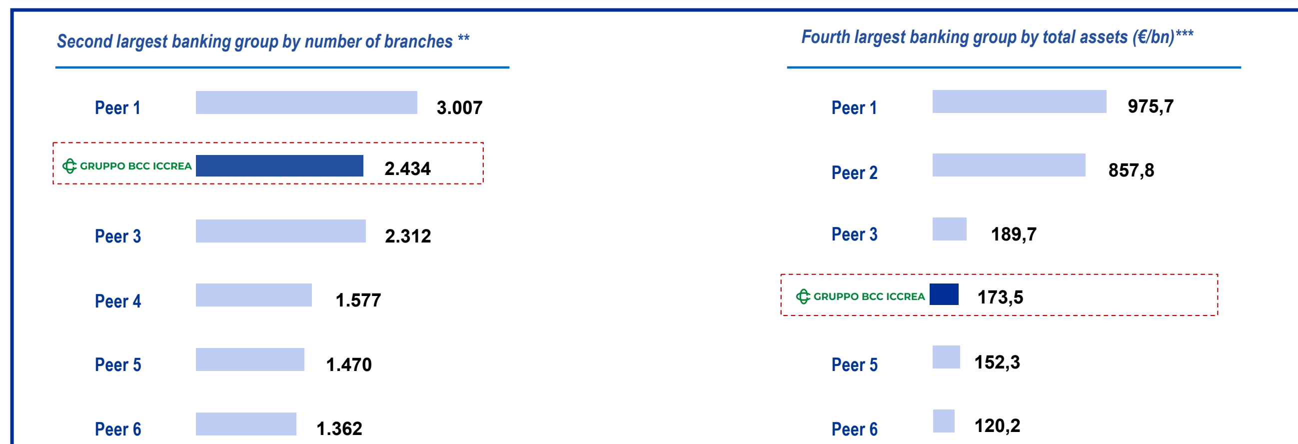
SENIOR MANAGEMENT

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

1. EXECUTIVE SUMMARY

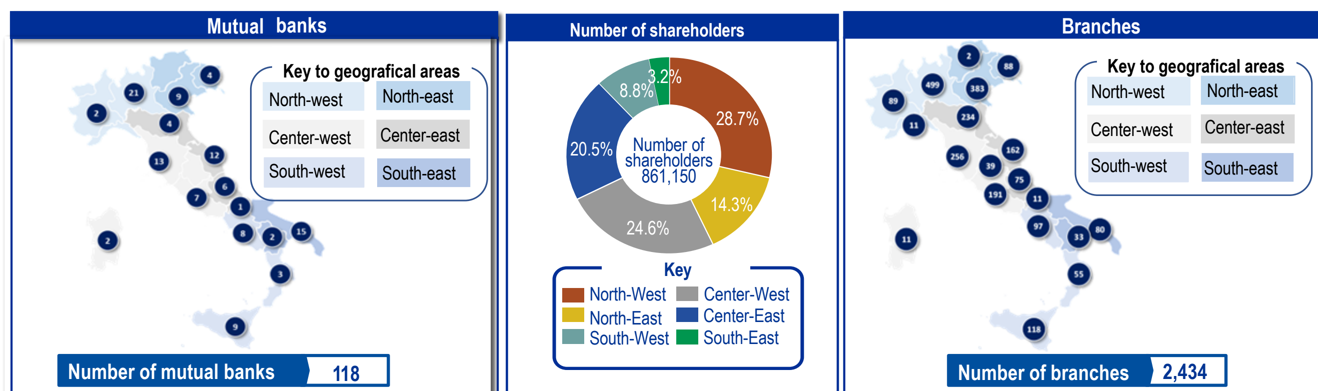
KEY FIGURES AND MARKET POSITIONING

Key indicators

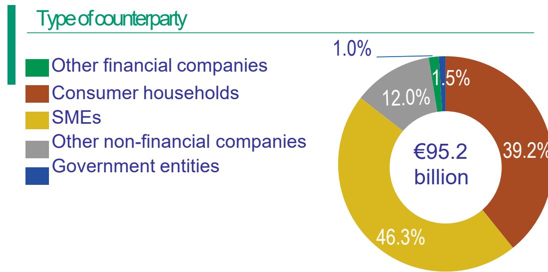


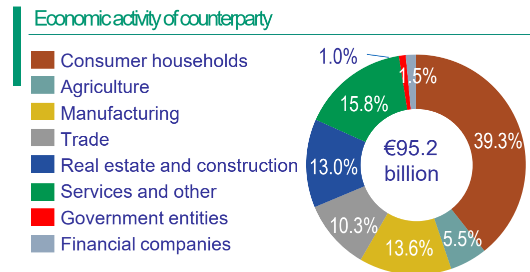
* Gross loans to customers
** Source Bank of Italy, March 2023 data
*** Source infoproviders: preliminary data at 31.12.22

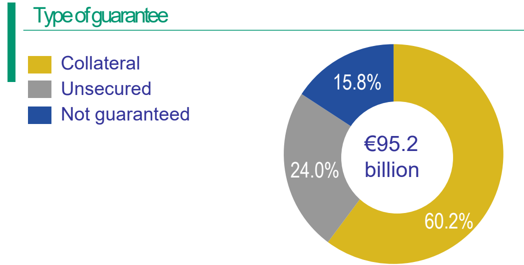
GEOGRAPHICAL POSITIONING OF THE GROUP RETAIL BANKS

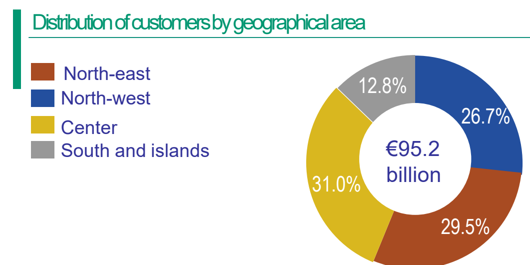


BREAKDOWN OF CUSTOMER BASE

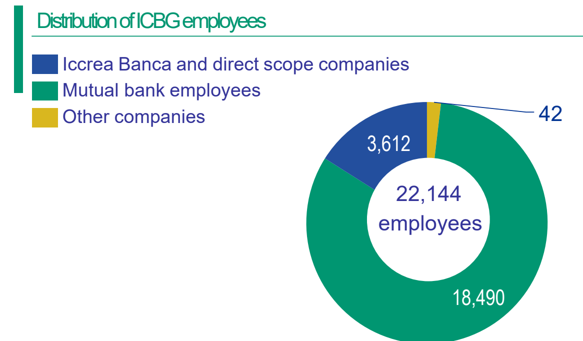


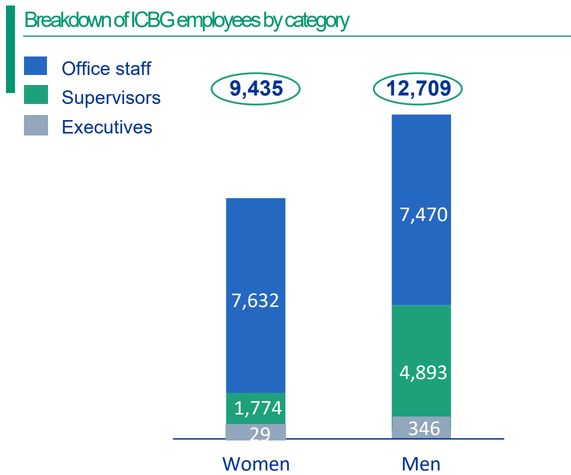






BREAKDOWN OF GROUP EMPLOYEES DELL'ORGANICO DEL GRUPPO





MAIN INDICATORS AT DECEMBER 31, 2022, JUNE 30, 2022, DECEMBER 31, 2021

PERFORMANCE INDICATORS [1] (amounts in thousands of euros)	31/12/2022	30/06/2022	31/12/2021
STRUCTURAL RATIOS			
Net loans to customers measured at amortized cost /total assets	52.4%	51.1%	49.6%
Direct funding from customers/total liabilities	69.6%	68.4%	68.2%
Equity (including profit/loss) /total liabilities	6.8%	6.2%	6.0%
Loan to deposit ratio	70.8%	70.9%	68.9%
Net loans to ordinary customers measured at amortized cost /direct funding from ordinary customers [2]	74.1%	73.8%	72.1%
PROFITABILITY RATIOS			
ROE (Net profit)/ net equity including the profit for the period)	15.1%	6.2%	4.3%
ROTE [Net profit/net tangible equity (Equity including profit – intangible assets]	15.3%	6.3%	4.4%
ROA (Net profit/total assets)	1.0%	0.4%	0.3%
Cost/income ratio	59.1%	60.8%	64.0%
Personnel expenses/gross income	35.1%	34.0%	37.0%
Net interest income/gross income	71.6%	66.1%	59.7%
Net fee and commission income /gross income	27.0%	28.2%	29.8%
Net interest income/Number of employees at end-period	166.8	75.4	125.0
Net fee and commission income/Number of employees at end-period	62.8	32.1	62.5
Gross income/Number of employees at end-period	232.8	114.0	209.5
RISK RATIOS			
Gross impaired loans/gross loans measured at amortized cost [3]	4.8%	5.7%	6.2%
Gross impaired loans to customers/gross loans to customers measured at amortized cost	4.9%	5.9%	6.9%
Net impaired loans to customers/net loans to customers measured at amortized cost	1.7%	2.2%	2.7%
Net Stage 2 loans to customers measured at amortized cost/net performing loans to customers measured at amortized cost	8.6%	10.3%	12.2%
Net bad loans/net loans to customers measured at amortized cost	0.3%	0.5%	0.7%
Net UTP loans/net loans to customers measured at amortized cost	1.1%	1.4%	1.7%
Net writedowns/(writebacks) for credit risk/net loans to customers measured at amortized cost	0.5%	0.2%	1.3%
Writedowns of impaired loans/gross loans to customers measured at amortized cost	67.8%	64.1%	62.7%
Writedowns of bad loans/gross bad loans	82.3%	81.0%	78.8%
Writedowns of UTP loans/gross UTP loans	64.4%	57.3%	53.9%
Texas ratio	31.5%	38.7%	44.3%
CAPITAL RATIOS - *phased-in*			
Common Equity Tier 1 ratio	19.2%	17.8%	17.7%
Tier 1 ratio	19.3%	17.9%	17.7%
Total capital ratio	20.4%	19.0%	18.9%
Total own funds	13,025,315	12,058,058	12,005,657
of which: Tier 1 capital after filters and deductions	*12,315,793*	*11,337,451*	*11,279,330*
Risk-weighted assets (RWA)	63,890,856	63,476,153	63,670,442
CAPITAL RATIOS - *fully loaded*			
Common Equity Tier 1 ratio	18.5%	17.0%	16.2%
Tier 1 ratio	18.6%	17.1%	16.3%
Total capital ratio	19.7%	18.2%	17.5%
LEVARAGE RATIO			
Phased-in Tier 1/Total assets	6.9%	6.2%	6.3%
Fully loaded Tier 1/Total assets	6.6%	5.9%	5.8%
LIQUIDITY RATIOS			
Liquidity coverage ratio (LCR)	230.5%	251.2%	290.5%
Net stable funding ratio (NSFR)	143.6%	139.8%	134.3%
Encumbered asset ratio	25.0%	23.6%	26.2%

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

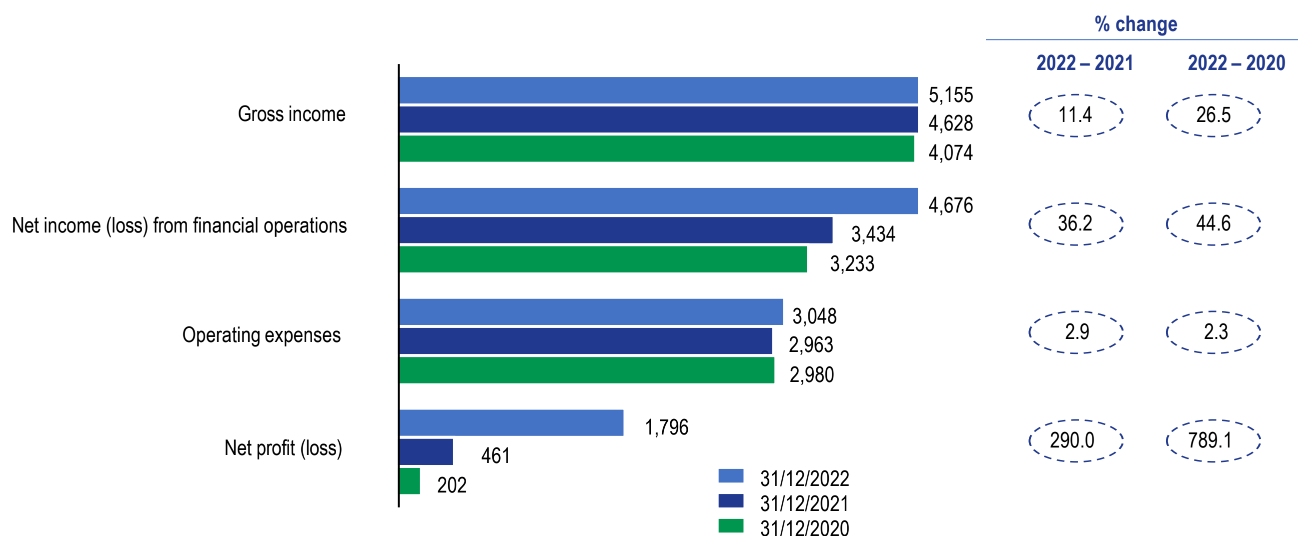
[2] Lending to and funding from customers calculated net of exposures vis-à-vis CC&G.

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

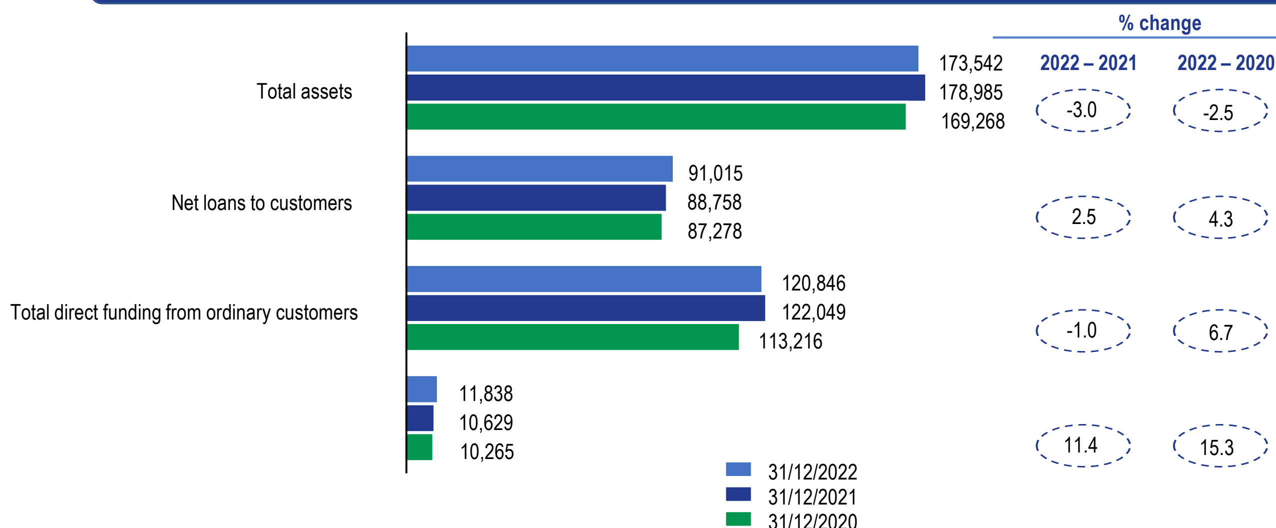
INCOME STATEMENT, BALANCE SHEET, OPERATIONAL AND STRUCTURAL DATA[4]	31/12/2022	30/06/2022	31/12/2021
Profit/(loss) for the period	1,796,109	683,303	460,571
Profit/(loss) attributable to the Group	1,787,052	676,061	456,765
Gross income	5,154,949	2,524,251	4,627,553
Operating expenses	3,048,033	1,535,279	2,962,783
Net loans to customers measured at amortized cost	91,015,537	90,051,498	88,758,420
of which: Net bad loans	*289,272*	*422,746*	*600,449*
of which: Net UTP loans	*957,613*	*1,235,564*	*1,472,292*
Net non-performing loans	1,509,197	1,993,272	2,405,090
Total direct funding from ordinary customers	120,845,792	120,618,131	122,049,221
Equity pertaining to the Group (including profit/loss)	11,838,016	10,904,734	10,628,703
Intangible assets	167,559	164,902	176,836
Total consolidated assets	173,542,458	176,343,084	178,985,382
Number of branches	2,434	2,470	2,474
Number of Group banks	122	124	132
Number of affiliated mutual banks	118	120	128
Number of employees at end-period	22,144	22,137	22,084

[4] The figures at December 31, 2021 do not consider the IFRS 5 reclassification of e-money operations held for sale.

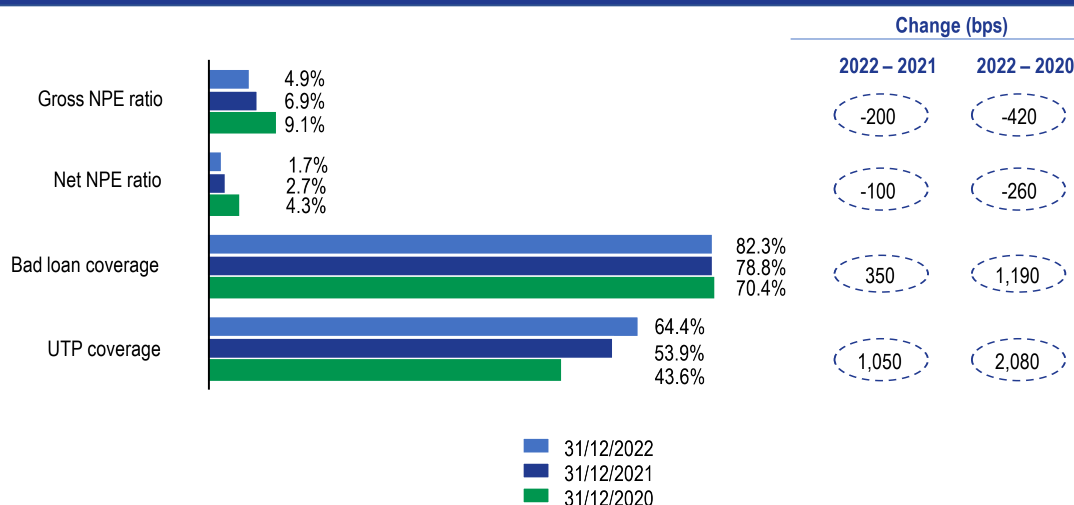
Developments in key performance figures (millions of euros)



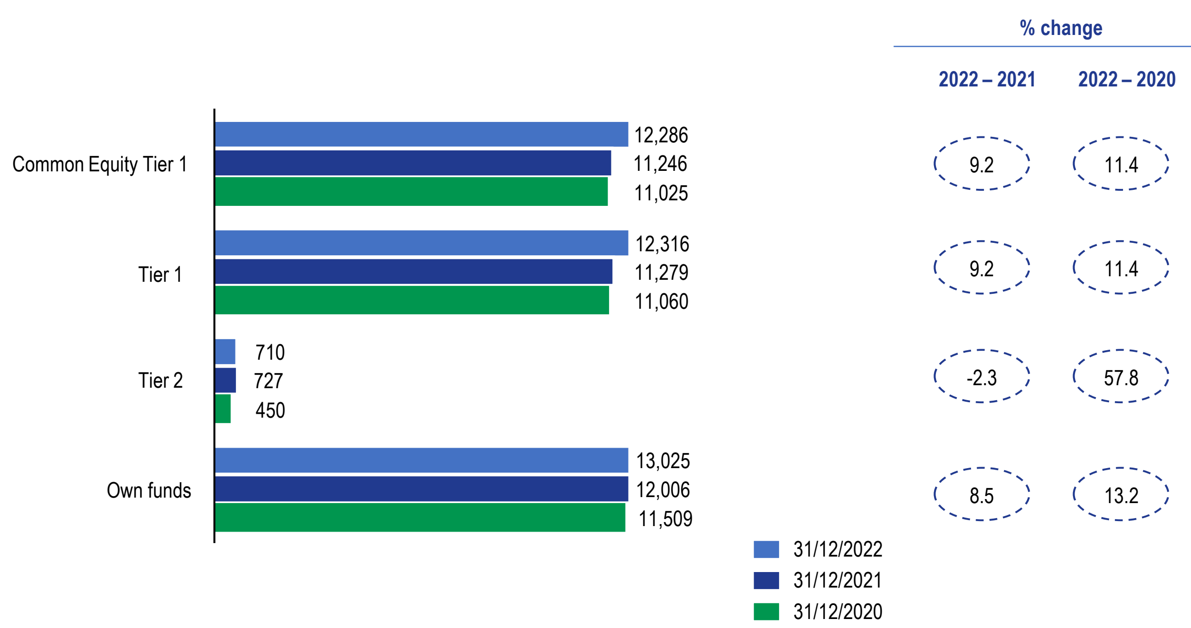
Key balance-sheet figures (millions of euros)



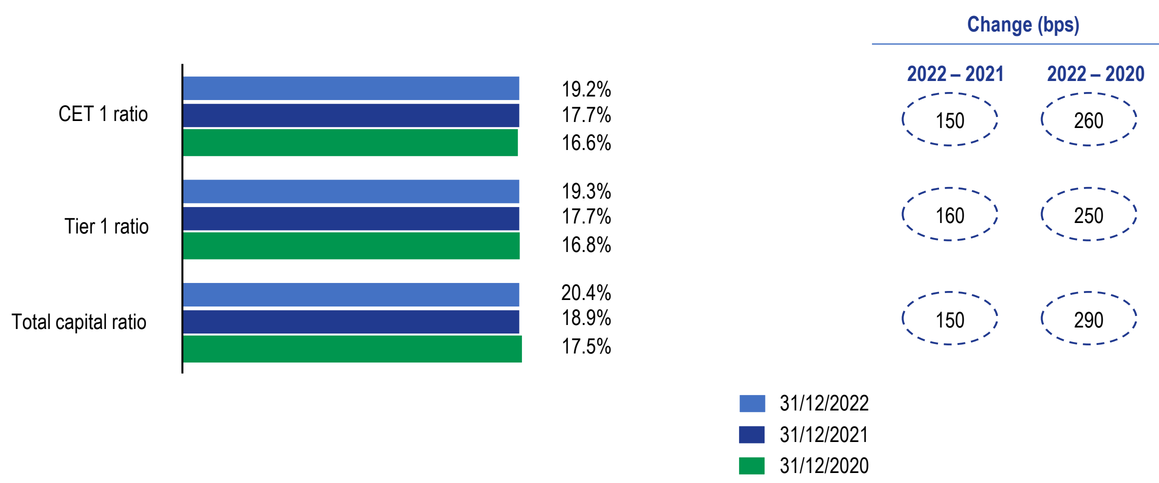
Key risk indicators (%)



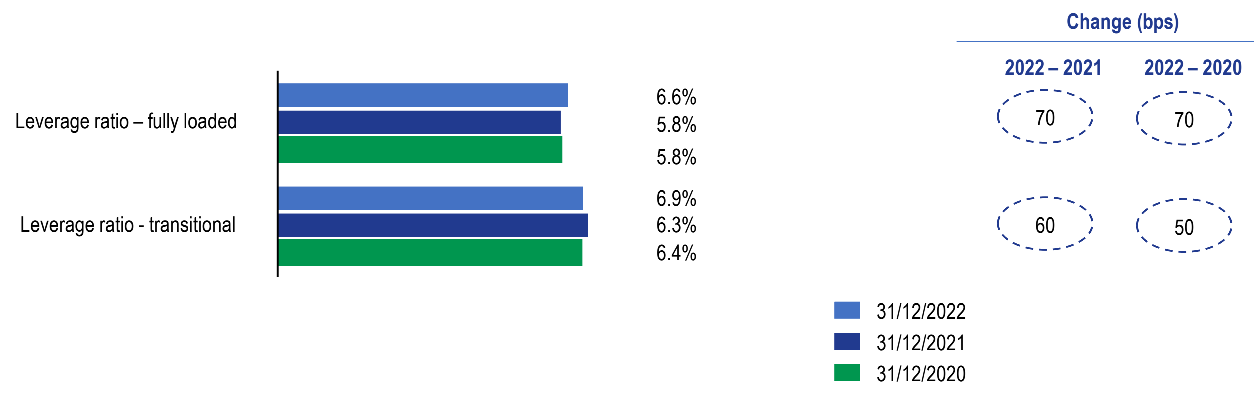
Composition of capital (millions of euros)



Capital ratios (%)



Leverage ratios(%)



2. THE INTERNATIONAL AND ITALIAN MACROECONOMIC ENVIRONMENT AND DEVEOPMENTS IN BANKING AND THE FINANCIAL MARKETS

The international and Italian macroeconomic environment

In 2022, global economic output grew by about 3.5%, with the pace of growth slowing significantly towards the end of the year due to the overlapping impact of a number of crises. The Russia-Ukraine conflict has generated high volatility in the prices of various commodities, notably crude oil, natural gas and agricultural products. Rising food and energy prices contributed to soaring inflation in all advanced economies, prompting central banks to intervene with a sharp tightening of monetary policy stances. Inflationary pressures have become increasingly persistent and widespread, further complicating the task of central banks. Moreover, China's zero tolerance policy towards COVID-19, which has involved the implementation of stringent lockdowns in key cities such as Shanghai, has deprived the world economy of one of its main growth engines. Escalating tensions between the US and China, particularly over trade in advanced semiconductors and the future of Taiwan, have further clouded the macroeconomic outlook.

The positive signals that had begun to emerge in the global economy in mid-2022 have not allayed fears of a slowdown. The steady and gradual decline in commodity prices on international markets, the return to normality (or almost) in the international transport of goods after the problems connected mainly with the pandemic and the faster-than-expected in the third and fourth quarters have not been sufficient to diminish fears of a significant slowdown in the world economy.

The drivers of a possible recession remain many: the possibility of a sudden slowdown in the United States was and remains the dominant factor. In China, the zero-COVID strategy involving extended and stringent lockdowns in response to individual cases of COVID-19 and the real estate crisis have dampened growth, while the belatedly adopted the less aggressive approach to countering the pandemic has not been sufficient to ease the concerns about weak growth, which is weighed down by structural constraints other than the pandemic. In Europe, the effects of the Russia-Ukraine conflict, especially on the gas market, which are not only attributable to high prices, remain a source of considerable concern, as is the fear that the monetary restriction implemented by the ECB could prove excessive and trigger a recession.

That said, in 2022 Europe nonetheless displayed a number of positive developments, ranging from the unexpected resilience of domestic demand despite soaring inflation, to the robustness of the labor market. Unlike in the United States, euro-area households continued to maintain a propensity to save that, while declining, remains higher than its pre-pandemic levels without compromising the strength of consumption in the third quarter (0.9% on previous quarter), largely attributable to services (with great support from the tourism sector): only in the fourth quarter did the persistence of high inflation finally produce a marked contraction in consumption (-0.9% on the previous period). Conversely, unlike in the United States, Europe still shows no clear signs of inflation stabilizing and household confidence remains at historically low levels, penalized above all by expectations, which continue to point to weakness looking forward, with some signs of improvement emerging in the last few months of the year thanks to a less negative energy situation than expected.

The high cost of energy also remained one of the critical issues also for businesses, which despite some weak signs of recovery in production expectations in the last few months of the year, continued to record a declining trend in orders. The acceleration of EMU investment in the third quarter (3.6% from the 0.9% registered in the second quarter of 2022) is entirely attributable to the 212.7% growth in intellectual property investments in Ireland (a figure that reflects the performance of large multinationals headquartered in that country) and not to a genuine recovery in productive investment. Excluding Ireland, in fact, investment in the euro area was substantially unchanged (rises of 0.2% and 0.3% on the previous quarter in the third and second quarters of 2022, respectively). The fourth quarter confirmed the weakness of investment, which decreased by 0.7% net of Irish intellectual property investments (and by 3.5% gross of these, underscoring their importance on the one hand and their volatility on the other).

Strains in the gas market have gradually eased, although the market remains somewhat volatile and hostage to the Russia-Ukraine crisis. The progressive emancipation from Russian supplies – which have been replaced by new contracts with alternative suppliers and by an increase in installed regasification capacity, which has enabled more extensive use of liquid gas - has been accompanied by savings in consumption, encouraged by high prices and - in recent months - from a particularly mild start to the winter season. These savings have enabled the replenishment of gas stocks to optimal levels and created greater peace of mind, which has been reflected in more moderate prices compared with peaks recorded in the summer. The volatility of prices, initially significant, gradually diminished. The price of gas declined to between €40 and 50 per MWh, much lower than those seen in the most critical phase, although still high. While the pressures on gas demand for heating purposes will subside in the spring, it is equally true that only in 2024 will Europe have the necessary structures to replace Russian gas with liquid gas or other sources, definitively easing the uncertainty surrounding the availability of energy sources.

The GDP estimate for the fourth quarter of 2022 confirmed the underlying weakness of the European economy but eased the risk of a recession, although this remains latent. Euro-area GDP growth was zero compared with the previous quarter, with a marginal decline in Italy (-0.1%) and a larger contraction in Germany (-0.4%, revised from an initial -0.2%). While the conditions in the gas market mentioned above appear less worrying, the weakness of consumption and investment at the end of 2022 and the ongoing monetary tightening associated with high inflation keep the risk of a possible downturn at the beginning of the year high.

As it declared at the beginning of February 2023, given its commitment to pursuing the inflation target, the ECB would have to continue tightening monetary conditions: after the increase at the beginning of February (50 bp) and the announcement of a further increase of the same size in March, additional increases have not been ruled out, above all if core inflation is slow to decline.

The positive signs in the United States are represented by the reduction in both headline and core inflation observed in recent months, although it remains higher than the Fed's target. The easing of inflationary pressures deriving from non-energy imported products reflects the gradual

normalization of global transport of goods, which could represent a disinflationary driver in the coming months via a reduction (or slower growth) in the prices of imported products. Alongside imported products, property prices are also declining, suggesting the possibility that contribution of housing costs (imputed and actual rents) to overall inflation within the representative basket of consumption items will begin to decline in the following months: however, the structure of the lag with which the decline in property prices has historically been transferred to these expenditure components in the past suggests that the maximum deflationary effect will be seen between the end of 2023 and the first part of 2024, with inflation therefore remaining persistently high in 2023.

While encouraging signs on the inflation reduction front are multiplying, excess demand persists in the labor market, represented by around 4 million more vacancies than the number of unemployed, an imbalance that has been reflected in increases hourly wages of between 5% and 6%, which has offset - albeit only partially - the decrease in purchasing power, largely to the benefit of the more vulnerable social classes (thus easing the deflationary effect on household consumption). However, it is clear that the longer it takes for the imbalance in the labor market to subside, the greater the risk of secondary effects on domestic prices and, therefore, on inflation. For precisely for this reason, the Fed - despite the encouraging signs of recent months - has continued to firmly state the need for continued rate interventions to combat inflation, with the Fed chairman reaffirming a decidedly restrictive policy stance in recent hearings.

The monetary tightening already implemented and any tightening looking forward have fueled expectations for a weakening of economic activity. These have begun to be reflected in PMI indicators, which continued to deteriorate – a dynamic still evident in the February 2023 data - remaining below the threshold pointing to expansion (50), especially for the manufacturing industry (with various negative indications for prospective developments as well, above all the decline in orders), while the PMI for services has just edged over the threshold. Industrial production also registered a year-on-year deceleration in all months of the fourth quarter and at the beginning of 2023. The data for GDP in the fourth quarter of 2022 show faster-than-expected growth (0.7% on the previous quarter), but an analysis of components does not leave room for any great optimism, as the developments reflected a fall in imports, a large contribution from the accumulation of inventories - which could also be a sign of excessive supply compared with demand - and very modest growth in productive investments, while construction investment recorded a pronounced decline.

These signs of weakness were combined with a further slip in the inflation rate, which in January 2023 reached 6.4%, down from 7.1% in December. The imbalance between labor supply and demand, which still involved the sectors most affected by the pandemic such as recreation and restaurants and, therefore, whose workers do not necessarily have a high level of educational attainment, should however favor the continuation of the high rate of wage growth registered up to now, which will continue to safeguard the weaker segments of society by attenuating the deflationary effect on consumption and, secondly, firms' expectations for demand growth. Furthermore, households have so far increased the use of disposable income at the cost of savings formation, but still have scope to draw on the liquid assets set aside during the pandemic, which can easily be transformed into resources to be used for expenditure on goods and services. The modest slowdown in consumption will therefore be a factor contributing to a slow decline in inflation, to just below 4% on average in 2023, and therefore to the Fed's caution in initiating any reduction in monetary policy rates.

Very briefly, there are reasons to believe that the tightening of monetary policy may be moderated but not stopped, a view supported by the rise of only 25 bps in the benchmark rate at the beginning of February 2023, an increase that will likely be followed by a further 25 bps hike in March, with no reduction before 2024. The effects of the monetary tightening and the continuing weakness of the international environment prompts us to forecast a modest contraction in GDP at the beginning of 2023 and virtual stagnation in the remaining quarters, which will bring average annual growth below 1%.

In China, the rebound in GDP in the third quarter more than recouped the decline recorded in the second, which was attributable to the restrictions imposed to control the spread of the pandemic (the zero-COVID strategy noted above), but uncertainty about prospective growth remained high. Economic indicators, including those for retail sales and investment, continued to point to persistent weakness in domestic demand, which was also reflected in a decline in the use of products from abroad, with significant drops in real imports, which affected growth in world trade. This was accompanied by the possibility of an escalation of social tensions connected with a youth unemployment rate (16-24 year olds) of around 18%. The difficulty of finding work mainly concerns young people with high educational qualifications and could persist, or even increase, if the economic recovery is not consolidated and the demand for labor does not accelerate to absorb the growing supply of graduates. At the end of the year, Chinese growth virtually came to a halt (GDP growth at 0% on the previous period), with a progressive deflation of production, investment - whose growth remains concentrated above all in the public sector - and retail sales. This led to the implementation of further monetary policy measures mainly focused on providing the system with liquidity. This cure was then bolstered by a series of measures aimed above all at saving the real estate sector, an operation that is not without risks, since it is a very important and significantly unbalanced sector. The management of the pandemic remains critical, as the "everybody's free" declared just before the Chinese New Year holidays could find itself faced with a further upsurge in the spring of 2023, with the consequent risk of new production lockdowns. There is still not much information on the early months of 2023 due to the usual black-out on January data connected with the variability of the date of New Year's Eve. The sharp improvement in PMIs in terms of orders is matched by a decrease in imports in the first two months of 2023 on a year-on-year basis, two apparently conflicting signals that require further information to resolve. The recent joint session of the supreme decision-making bodies indicated a growth target of 5%, a less ambitious goal than in the past, which suggests awareness of the problems facing the economy.

The aid to the real estate market appears to have convinced the markets, in particular commodity markets, which have seen a recovery in prices in recent months, especially for the materials most used in construction. A strong Chinese recovery could reverse not only the recent easing of tensions on the international prices of many industrial and energy commodities, but it could also impact the prices of liquid gas, which is traded in a global, unsegmented market, unlike gas in gaseous form, which is constrained by the structure of the pipeline network. This is

therefore also a crucial issue for prices for Europe while harming the entire world economy and once again increasing the risk of losing control of inflationary dynamics, increasing tensions on central banks, including the Fed and the ECB.

As an aside, we should note the significant increase in attention to critical raw materials (rare earths and other metals necessary for technological products and/or products related to the energy transition) in a situation in which the major producers, such as China, are at the center of the geopolitical changes partly triggered by the Russia-Ukraine war, which could represent the next crucial source of strategic dependence (like that manifested for Russian gas).

In general, the international prices of other raw materials, food in particular, have subsided from the peaks registered at the beginning of the year, while remaining higher than the levels reached between 2011/2012, which had triggered the social tensions leading to the so-called Arab spring (and therefore represent a factor of tension). For many of these commodities it is difficult to imagine significant price declines in 2023, both because Russia and Ukraine are among the world’s major producers, which means that as long as the conflict continues production will be negatively affected, and because the production of some of these commodities depends on intermediate goods, such as fertilizers, of which Russia and Ukraine are once again among the world’s largest exporters. Although the relative weight of agricultural/food commodities in the consumption basket clearly disadvantages the emerging countries compared with the industrialized economies, their contribution to overall inflation was far from negligible for both groups of countries.

For emerging countries, persistence at high levels exacerbates recovery difficulties: it leaves little room for central banks to ease monetary conditions and makes it necessary to use more resources to import these goods, also to avoid social tensions. In general, all the emerging countries also had to deal with the strength of the dollar - linked above all to its US monetary policy - as there were not many alternatives other than a rise in interest rates which would make it possible to fight inflation, at the same time buffering the weakness of currencies. The fourth quarter was generally characterized by weak growth and in many cases, especially in Asia, penalized by declining exports, linked above all to falling Chinese demand, while consumption showed greater stability.

Istat has estimated a slight contraction in Italian GDP in the fourth quarter of 2022 (-0.1% compared with the third). On the supply side, agriculture, industry excluding construction and services registered a decline in value added, which was almost entirely offset by growth in the construction sector. On the demand side, the positive contribution came from net foreign demand, while the domestic component - gross of inventories – made a negative contribution. However, this brake on growth does not affect the excellent performance of GDP in 2022, which rose 3.8% compared with 2021.

The decline in GDP recorded in the fourth quarter came after two consecutive quarters of growth, with a sharp slowdown in the pace of expansion in the third quarter compared with the second, from 1.1% to 0.4%. Household spending contributed significantly in both quarters, confirming that the desire to return to normal after two years of the pandemic has prevailed over the pessimism reflected in the climate of confidence and the erosion of purchasing power due to rising inflation. Services, especially those related to tourism and recreation, enabled a further recovery in overall consumption in the summer. The rise in consumption came to a halt in the fourth quarter of last year, decreasing by 1.6% compared with the previous period. This decline affected all the main components, from durable goods to services, reflecting the negative effects of price increases on household purchasing power. Total gross fixed investment expanded in the fourth quarter of 2022 as well, growing by 2% in quarterly terms, driven by investment in both capital goods and construction. The latter rose again by 2%, after declining in the summer months for the first time after six consecutive quarters of strong improvement. The contribution of the foreign component returned positive as exports growth outpaced that in imports. In a nutshell, in 2022 the Italian economy grew despite the climate of great uncertainty and the pessimism of households and firms, thanks above all to the contribution of consumption, which was buoyed by the savings accumulated during the pandemic. The climate of household confidence collapsed in February, when Russia invaded Ukraine, with sentiment remaining poor until October. After the decline in January 2023 due to the negative evolution of views of personal circumstances, consumer confidence rose again in February. The business confidence climate fluctuated during 2022 but from October rose steadily until January. In February, the index remained stable, but there was a worsening of confidence in construction and in the assessment of orders in market services.

After a sluggish third quarter, employment started to grow again in the fourth quarter, expanding by 0.4% over the previous period, exceeding pre-pandemic levels by around 140,000. Conversely, the supply of labor has not returned to pre-crisis levels, unlike developments in other European countries. In view of the already low starting rate in Italy, this may also represent a problem in the future. At the same time, the employment rate rose slightly both in October and in December compared with the previous months, reaching 60.5% at the end of the year, while the unemployment rate in December remained unchanged compared with November at 7.8%.

Inflation is showing signs of slowing down. Unlike other EMU countries, where the energy component slowed down towards the end of last year, energy prices in Italy continued to rise. However, recent data point to a change, with inflation declining between November 2022 and January 2023 from 11.8 to 9.2%. According to preliminary Istat estimates, in February energy prices increased on an annual basis by about 15 percentage points less than in January, going from 42.5% to 28.2%, and on a monthly basis they decreased by 4.4% for both regulated and unregulated products. Furthermore, the prices of food products also contributed to the evolution of inflation and the core component of inflation is increasing steadily. In the coming months, the decline in energy inflation will increase, while that in core inflation will be slower, due to the prolongation of the downstream translation of the inflationary impulses of raw materials prices.

GDP growth in 2023 is expected to be more modest compared with 2022, with an expansion of around 0.7%. The sources of uncertainty are diverse, ranging from the tensions created by the war between Ukraine and Russia to monetary policy decisions. The common risk factor is primarily the inflation that will be recorded during the year. Accordingly, the decline observed in the most recent inflation data and the low level reached by European gas prices are an initial sign of slower price dynamics and not a recession in the Italian economy, which could emerge from the energy crisis keeping pace with the others major economies in the euro area, as has not happened in the last 25 years.

Fiscal policy is supporting households and firms. After the extraordinary measures rolled out during the pandemic, the Italian government allocated exceptional resources in 2022 to shield households - especially those with low incomes - and firms from energy price increases. These measures have been extended for the first quarter of 2023 and are the only provisions of the Budget Act with an expansionary effect. The adjustment program contained in the Budget Act is in fact of a relatively modest scale, in which a limited expansionary impact (approximately 0.2% of GDP, against an increase of 1.1 points of GDP in the deficit), weakened also by the fact that many measures are not aimed at operators with a high propensity to consume or invest and that the increase in public spending (healthcare and investment) is not sufficient to offset inflation. The expansionary impulse, composed in 2023 of a substantially equivalent amount of higher expenditure and lower revenues, derives mainly from non-structural measures and from the extension of existing measures. This includes the programs to counter high energy costs, the largest item in the budget package (about €20 billion in 2023), which extend tax credits for firms and relief for energy bills to the first quarter, expanding the beneficiaries eligible for the social bonus. These measures will probably not be extended in the light of the sharp decline in the price of gas.

The performance of the financial markets in 2022

In 2022, inflation was the main problem facing the world economy. As a result, central banks - with the exception of the Bank of Japan - abandoned the highly expansionary approach they have adopted in recent years to start gradually raising rates more sharply. The Federal Reserve began the restriction in March, raising the Fed funds rate by a total of 4.25 percentage points and bringing it to a range of 4.25-4.50% at the end of 2022. The Fed stressed that further hikes are needed, as more evidence is needed to be confident that inflation is on the right track and as the labor market remains very strong. However, the markets still expect a change of pace during 2023. After having initially reduced and then completely halted its purchases of securities, in July the ECB also started to raise rates, bringing the main refinancing rate to 2.50% and that on deposits with the central bank to 2% at the end of 2022. Due to the sizeable upward revision of the inflation outlook in the December staff projections, the ECB expects to implement further significant increases at a measured pace, to reach levels restrictive enough to ensure a timely return of inflation to the 2% medium-term target, even at the risk of penalizing economic growth.

During 2022 there was a progressive and substantial rise in the yields on 10-year government paper, reflecting the more restrictive monetary policy deployed in the effort to reduce high inflation. In 2022 as a whole, 10-year government yields increased overall by about 2.5 percentage points, with the 10-year Treasury at around 3.80% at the end of the year and the equivalent Bund at 2.50%. During the year, the component for inflation expectations was more stable - and decreasing for the Bund - and the rise in nominal rates was mainly driven by real rates and by the term premium, the latter following the removal *of* the unconventional monetary policy measures (which had significantly reduced it) and the growing uncertainties about expected economic growth. In response to expectations of a weakening of the economy, the greater rise in short-term rates has led to a reduction in the slope of yield curves. During the year, the Italian 10-year rate also increased by about 3.5 percentage points to around 4.70% at the end of 2022: as a result, the BTP-Bund spread widened, especially during the summer - in connection with a moment of political crisis - when it reached 250 basis points. At the end of the year, the spread then narrowed thanks to the decline in political uncertainties and despite the announcement of quantitative tightening measures by the ECB.

In early 2022, equity markets were especially penalized by the considerable risk aversion that emerged following Russia's invasion of Ukraine. Although the geopolitical tensions have not dissipated, the diminishing possibility of a further escalation contributed to a partial recovery of prices, which however remained low due to fears that more restrictive monetary policy measures could lead to a recession. The second half of the year saw no shortage of risk factors, which contributed to keeping equity markets volatile, but in the autumn risk appetite improved and corporate profits held steady, which helped drive a strong recovery in equity prices, thereby attenuating year-to-date losses. In 2022 as a whole, EMU equities limited losses to around 12%, with Italy relatively well (-7.7%). By contrast, US equities fell by almost 20%, penalized by the performance of technology stocks.

The year 2023 began under a wave of optimism on the financial markets, prompted by the possibility that, following better-than-expected data, economic conditions are less weak than expected. Investor euphoria then subsided in February, as the fear of persistently high inflation prompted the central banks to take a more hawkish view.

As a result, long-term rates have recently increased, with the 10-year Treasury rising to around 4% and the Bund to 2.6%, after having also reached values close to 2%. The rise in interest rates adversely impacted equity markets, which have nonetheless maintained positive growth rates since the beginning of 2023 thanks to the reduction in risk premiums. Performance was stronger in the EMU (above 10%), thanks in part to the better performance of profits for the fourth quarter of 2022, in particular for the financial sector.

Developments in the Italian credit system

During 2022, the credit market was less affected by support measures deployed in response to the pandemic than in 2021, partly because the 2022 Budget Act did not provide for an extension of the COVID loan repayment moratoriums, which therefore ceased to be active in January 2022. Overall, bank lending to the private sector in 2022 increased more than in the previous year, recording a gain of 2.1% as at the end of December 2022 (excluding loans to central counterparties and net of the effect of settlements and securitizations).

Lending to firms remained stable at the end of 2022 compared with the end 2021. Until November, the continuing lending growth seemed to be attributable to the greater needs for working capital triggered by the outbreak of the conflict in Ukraine and by the sharp increases in energy and commodity prices, which meant that firms had a greater nominal financial requirement to sustain the investment plans they had already

programmed. From the second half of 2022, however, the inversion of the monetary policy stance and the consequent increase in the cost of borrowing, as well as firms' use of the abundant liquidity accumulated in recent years have been slowing credit growth. This dynamic also reflects the banking sector's heightened perception of risk, which is manifesting itself in a tightening of credit supply. Furthermore, since the beginning of the crisis, net bond issues by firms have also increased, especially for borrowers with high credit ratings.

By contrast, lending to households showed growth throughout 2022 (+3.3% in December compared with +3.7% at the end of 2021, excluding of the effect of settlements and securitizations), driven in particular by home loans, which also reflected government incentive schemes for home renovations and energy efficiency upgrades. Consumer credit also contributed in part to the growth, thanks to the greater demand for durable goods, reflecting in part government incentives for the purchase of eco-sustainable furniture and household appliances.

The slowdown in economic activity expected for the first half of 2023 will lead to a reduction in the growth of lending to households and firms, due to the combined effect of the decline in consumption and the slowdown in investment. In the following two years, with the recovery of the economy and inflation below 2%, credit growth of around 2% on average per year is expected, outpacing the pre-COVID dynamic, thanks in part to the boost imparted by investments activated by the NRRP.

All credit risk indicators continued to remain at historically very low levels during 2022, thanks to the measures introduced by the government and institutions to counteract the "long wave of the pandemic" first and the effects deriving of the war in Ukraine subsequently. These measures are lengthening the natural lag with which the deterioration in economic conditions impacts manifests itself on asset quality and without which the traditional credit risk indicators would have risen to higher levels than those actually recorded. The rate of credit deterioration remained historically low in aggregate (1% on an annualized basis in the third quarter of 2022, slightly below that registered in 2021), in September displaying the initial signs of an increase for firms compared with the previous quarter. The volume of impaired loans was also limited by the continuation of derisking operations (estimated at around €20 billion for 2022 as a whole), with the stock of bad loans falling below €30 billion at the end of December 2022 (-22% compared with the end of 2021) equal to 1.7% of the stock of outstanding loans (2.2% in December 2021). However, the supervisory authorities' attention to credit risk remains high given the outlook for a worsening of risk in 2023, when the delayed effects of the COVID crisis on those positions that have not been able to recover from the difficulties triggered by the pandemic will add to those deriving from the macroeconomic deterioration induced by the Russia-Ukraine conflict.

On the funding side, the increase in interest rates during 2022 and high inflation are making it increasingly less attractive for households and businesses to accumulate liquidity in current accounts for precautionary purposes. In fact, while estimated direct bank funding (deposits, net of the Cassa Depositi e Prestiti component, and bonds) was stable at the end of 2022, current accounts are showing the first signs of decline (-1.5% in December, compared with +9.7% at the end of 2021). The progressive repayment of funding through the TLTROs will require the banking system to change its funding structure, which will have to move closer to the traditional model, partially replacing Eurosystem liquidity with an increase in medium and long-term direct funding, including for regulatory purposes. This could well impart upward pressure on the cost of funding.

Listed commercial banks closed 2022 with an ROE of 8%, a value similar to that of the main European banks. This performance is up sharply compared with 2021, driven by the growth in net interest income (+20%) and the improvement in the contribution of extraordinary items, while impairment losses on loans increased, as have taxes. Gross income grew thanks to the expansion of net interest income, driven by the widening of spreads, while net lending decreased overall, partly reflecting RWA optimization strategies. Riskiness - i.e. the flow of loan impairment losses - absorbed about a quarter of net interest income, with the increase in the cost of risk attributable to derisking and the use of management overlays, as well as the writedown of exposures to Russia. Net fee and commission income continued to decrease, notably that connected with asset management and intermediation activities, which were affected by the negative performance of the markets. Commissions linked to traditional banking activity continued to expand. There was a slight reduction in operating expenses, which were affected by inflation developments and business development and transformation costs.

For 2023, the larger banking groups have given strongly positive guidance, with expectations of further growth in traditional revenues – especially net interest income, as well as a slight recovery in fee and commission income - and an improvement in both operating expenses and the cost of risk. Looking ahead, traditional profitability is expected to improve in 2023, thanks above all to the widening of spreads, which will make it possible to absorb higher operating expenses and greater impairment losses on loans.

The capital strength of listed commercial banks increased on aggregate, with the fully loaded CET1 ratio reaching 14.5% (+37 bps on 2021), benefiting from retained earnings (as well as the capital increase of MPS) and the reduction of RWA as a result of capital management operations by various institutions. The excess capital over supervisory requirements remains substantial, also considering the outcome of the SREP, which led to a revision of the Pillar 2 minimum requirements (applicable from 2023) for various Italian institutions. Banking groups have pursued generous profit distribution policies: the dividend and buyback proposals of listed Italian banks based on 2022 profits exceed €10 billion with a payout substantially in line with that of 2021.

Measures taken by institutions in the situation that emerged following the start of the Russia-Ukraine conflict

The year began with reassuring signals portending continued growth after the strong rebound of 2021, accompanied however by growing concern that inflation, which was more persistent than expected in Europe as well, could constrain growth looking forward. When the most critical point of the COVID-19 pandemic seemed to have passed, the conflict in Ukraine heightened global uncertainty. The new tensions triggered by the war have prompted additional by governments and institutions.

The following provides a summary of the main measures implemented in 2022.

Government, EU and national measures

At the EU level, the measures adopted during 2022 were mainly intended to address the international tensions following Russia's invasion of Ukraine and the resulting effects on the energy market and, consequently, on the European economy. As already mentioned, these effects included a shortage of energy and gas supplies and the corresponding significant increase in energy prices and volatility, which has translated into a reduction in purchasing power for consumers and a loss of competitiveness for firms.

A first area of action involved granting all the flexibility necessary for the management of the budgetary policies of the Member States. The activation of the general escape clause of the Stability Pact - which suspends the fiscal rules - has been extended to the end of 2023. The exceptions to the ordinary state aid framework were also renewed to enable governments to provide firms with the necessary support to cope with the higher costs they face.

On March 23, 2022, a Temporary Crisis Framework concerning the rules on State aid was adopted (similar to that in response to COVID-19 emergency), which allows governments to: i) grant aid to firms affected by the crisis or by the related sanctions and counter-sanctions, ii) ensure that businesses have sufficient liquidity and iii) compensate them for the additional costs incurred due to the exceptionally high prices of gas and electricity. Any interventions to support the most exposed banks also fall within this flexibility mechanism. With an initial amendment effective on July 20, 2022, the Commission extended the types of State aid that fall within the Temporary Framework, including measures to accelerate the installation of renewable energy systems and those to facilitate the decarbonization of industrial processes.

On October 28, 2022, the Temporary Framework was amended a second time, extending its term until December 31, 2023 and providing for additional new features including:

- an increase in the ceilings set out for individual firms up to the amount of €250,000 for companies active in the agriculture sector, €300,000 for those in the fisheries and aquaculture sectors and up to €2 million for companies active in all other sectors.
- the introduction of additional flexibility for liquidity support to energy distributors for their trading activities: the Member States may provide public guarantees exceeding 90% coverage, where they are provided as financial collateral to central counterparties or clearing members.
- the introduction of new measures aimed at supporting electricity demand reduction, through, for example, the acceleration of the installation of plants for the production and storage of renewable energy and support for the decarbonization of industrial processes using renewable energy or hydrogen, or with a view to enhancing energy efficiency;
- the extension of flexibility and support possibilities for companies affected by the increase in energy costs.

Finally, the European Commission published a number of clarifications regarding the criteria for the assessment of recapitalization support measures, which: i) must be necessary, appropriate and proportionate; ii) involve an adequate remuneration of the State and iii) be accompanied by appropriate competition measures.

A second area of action regarded the development of plans and regulations with short- and longer-term effects to reduce dependence on Russian fossil fuels and accelerate the energy transition. Under the umbrella of the RePowerEU Plan, they include:

- the establishment of an EU energy task force to secure alternative supplies (May 2022);
- the signing of a trilateral memorandum of understanding (EU, Egypt and Israel) for the export of natural gas to Europe (June 2022);
- a requirement for Member States to fill storage facilities to 80% of capacity by November 2022 and 90% in subsequent years (June 2022);
- the approval of the project of common European interest in the hydrogen sector (IPCEI Hy2Tech) (July 2022);
- the bilateral cooperation agreement between the EU and Azerbaijan, with the signing of a new memorandum of understanding on a strategic partnership in the energy sector (July 2022);
- the political agreement between the States for a coordinated and voluntary reduction of gas consumption by 15% between August 2022 and March 2023 (July 2022);
- the definition of a new temporary regulation (with a term of one year) which allows accelerated and simplified authorization procedures in the field of renewable energy (November 2022);
- the launch of the European Solar Photovoltaic Industry Alliance to increase domestic production capacity by 2025 (December 2022);
- a political agreement on the funding of RePowerEU and on the possibility of introducing RePowerEU chapters in the National Recovery and Resilience Plans (NRRPs) of EU countries, including the opportunity of using unspent cohesion funds for 2014-2020 to help vulnerable and SMEs to cope with rising energy costs (December 2022).

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

At the national level, the governments of European countries have intervened on multiple occasions with fiscal policy measures aimed at mitigating the social and economic impact of the crisis caused by high energy prices on households and businesses.

These measures have allotted public resources amounting to 1.6 percentage points of GDP in the EMU as a whole in 2022. For some countries, the support has already been extended to 2023-2025, with the total financial commitments allocated for mitigation measures in the area amounting to 5.4 percentage points of GDP or about €550 billion. Among the main countries, Germany stands out for having allocated the largest amount, over 7% of GDP, although this includes forecasts for this year and the next few years, which are linked to future developments in energy prices.

In this context, Italy has spent the most so far: 4% of GDP in 2021 and 2022, equal to around €70 billion.

These resources were directed at dampening energy price dynamics by reducing and eliminating the system costs included in gas and electricity bills, reducing the VAT rate on gas and excise duties on fuel. In addition, specific measures have been introduced to support lower income families, introducing a supplementary component to social allowances in energy bills, and expanding the number of beneficiaries, as well as providing one-off allowances for low-middle income workers in July and November together with a reduction of social security charges. For businesses, in addition to reducing the cost of energy bills, the government has envisaged support in the form of tax credits for a portion of the costs incurred for the purchase of electricity, gas and fuel for energy-intensive and fuel-intensive businesses and all companies whose energy costs have increased by more than 30% compared with the previous period, as well as specific support for trucking companies. Overall, around 57% of the total resources were allocated to support firms and the remaining 43% to support families.

Fiscal policy also remains moderately expansionary for 2023. The Budget Act (Law 197 of December 29, 2022) approved by the new Government increases the deficit compared with the current legislation scenario by 1.1 percentage points of GDP in 2023, equal to approximately €23 billion, with the resources intended almost entirely to extend (until March 2023) and, in some cases, to expand existing measures connected with the energy emergency and the fight against inflation.

The Budget Act measures with effects on liquidity and access to credit for businesses and households include:

- the extension to December 31, 2023 of the deadline for application of the transitional provisions of the Guarantee Fund for SMEs (as provided for by Article 1, paragraphs 55 and 55-bis, of the 2022 Budget Act). In particular, the phasing-out rules of the extraordinary intervention of the Central Guarantee Fund provides for the reimbursement of the costs of the Fund guarantee and a maximum guaranteed amount for each company equal to €5 million. Furthermore, the guarantee is granted by applying the creditworthiness assessment model and with a degree of coverage differentiated on the basis of the purpose of the loan and the company's creditworthiness bracket. The guarantee can reach 80% of the value of the loan for purposes other than support for investments with regard to companies falling within brackets 3, 4 and 5 of the assessment model. It can reach up to 60% for those in brackets 1 and 2. In the event of reinsurance of the loan, the guarantee covers up to 60% of the amount. For loans to support the implementation of investments, the public guarantee can reach up to 80% of the value of the loan, regardless of the creditworthiness assessment model bracket to which the company belongs. A further €800 million have been allocated for this provision;

- the appropriation of an additional €80 million to fund public guarantees for loans granted to companies operating in the agricultural, agri-food and fisheries sectors. The guarantees are granted through the Istituto di Servizi per il Mercato Agricolo Alimentare (ISMEA), which is charged with supporting agricultural enterprises and their associations and promoting information and market transparency, facilitating relations with the banking system and the insurance industry, promoting corporate competitiveness and reducing the risks inherent in production and market activities;

- the allocation of €565 million to the Green New Deal Fund for 2023 to cover the guarantees granted by SACE for economically sustainable projects. Specifically, the previous budget act had established a Fund to be distributed in support of economically sustainable projects whose objective includes: the decarbonization of the economy, the circular economy, support for youth and female entrepreneurship, the replacement of the use of plastic with alternative materials, urban regeneration, sustainable tourism, adaptation to climate change and mitigation of the risks connected with the territory and, in general, investment programs and projects of an innovative nature and high environmental sustainability;

- among support measures for households, the extension to December 31, 2023 of the effectiveness of the measures establishing exceptions to the ordinary rules of the Solidarity Fund for the suspension of mortgages for the purchase of a first home. (i.e. the extension to the self-employed and professionals of payment of 50% of the interest accruing during the period of suspension of installment payments). To support the grant of mortgage loans to young people (under 36), the special rules which provide for a public guarantee of up to 80% for certain categories with an equivalent economic status indicator (ISEE) not exceeding €40 thousand on mortgage loans for first homes has been extended to March 31, 2023 in an amount not exceeding 80% of the loan-to-value ratio, while the relief for indirect taxes for young people (under 36) with ISEE not exceeding €40 thousand has been extended to December 31, 2023. The Budget Act has appropriated an additional €430 million for 2023;

- the renegotiation of mortgage loans until December 31, 2023, to switch from a variable rate to a fixed rate with pre-established quantitative limits. The rule adopts the provisions of Decree Law 70/2011, i.e. the possibility of renegotiating mortgages by switching from a variable rate to a fixed nominal annual rate with pre-established quantitative limits, i.e. a rate no greater than the lower of the rate on 10-year IRSs (interest rate swaps) in euros and that for IRSs in euros with a term equal to the residual term of the loan. The

value must then be increased by a spread equal to that indicated in the original loan agreement. Furthermore, borrowers must have an ISEE not exceeding €35,000 and not had any delays in paying loan installments. The original amount of the loan must not exceed €200 thousand.

Finally, the Budget Law includes two measures relating to payments. With regard to the use of cash, the maximum value beyond which the transfer of cash is not permitted has been raised from €1,000 to €5,000. Furthermore, a permanent working group has been set up among the categories involved with the task of evaluating solutions to limit the costs of electronic transactions with a value of up to €30 euros for merchants with revenues not exceeding €400 thousand. In the event of no agreement (within ninety days of the entry into force of the law) or in the event of non-application of the improved conditions, payment service providers and payment circuit operators will be required to make an extraordinary contribution equal to 50% of the profits deriving from commissions and other income for transactions below the value limit of €30. Finally, with regard to digital money, it has been clarified that crypto-assets mean a digital representation of value or rights that can be transferred and stored electronically using distributed ledger or similar technology. Furthermore, new tax rules have been established for this type of asset, which is included under "other" income for natural persons, meaning that capital gains are therefore subject to taxation for amounts exceeding €2,000.

Monetary policy measures adopted by the ECB

At its meeting of February 3, 2022, the Governing Council of the ECB confirmed the monetary policy decisions taken at its previous meeting in December concerning.

- the Pandemic Emergency Purchase Programme (PEPP), for which net asset purchases in the first quarter of 2022 are to take place at a slower pace than in the previous quarter and are to be discontinued at the end of March 2022.
- the Asset Purchase Programme (APP), for which monthly net purchases would amount to €40 billion in the second quarter of 2022 and €30 billion in the third quarter. From October 2022, net purchases would continue at a pace of €20 billion per month as long as necessary to reinforce the impact of the accommodation of policy rates;
- no change in the ECB's policy rates and suggestion that they would be kept at or below their current level until inflation reached 2%.

At its meeting on March 10, 2022, the first following the Russian invasion of Ukraine, the Governing Council of the ECB said it would ensure relaxed liquidity conditions and the implementation of sanctions decided by the European Union and European governments. Based on the updated assessment and taking account of the prevailing uncertainty, the schedule for the APP for the following months was revised, deciding that if the incoming data supported the expectation that the medium-term inflation outlook would not weaken even after the end of its net asset purchases, net purchases under the APP would be concluded in the third quarter of 2022. The ECB's key interest rates were left unchanged, specifying that any adjustment would take place sometime after the end of net purchases APP and would be gradual

The ECB confirmed that the PEPP would be discontinued.

In the context of the high uncertainty engendered by the Russian invasion of Ukraine and given the risks of regional spillovers with possible repercussions on the financial markets of the euro area, the Governing Council also decided to extend the Eurosystem repo facility for central banks (EUREP) until January 15, 2023.

At its meeting on April 14, the Governing Council confirmed that the data strengthened its expectation that net purchases under the APP would end in the third quarter of 2022. The key interest rates were left unchanged, with the same criteria as those established in March for any adjustments.

At its meeting on June 9, the Governing Council of the ECB decided to discontinue net asset purchases under the APP starting from July 1, 2022, continuing to reinvest all principal repayments on maturing securities (as well as those on securities maturing under the PEPP). At the same meeting, as the conditions that, in accordance with its forward guidance, had to be met before starting to raise policy rates had in fact been met, the ECB announced its intention to raise rates by 25 basis points at the July monetary policy meeting. Over a longer period, the Governing Council also said it expected a further increase in policy rates in September (of a size to be determined based on the updated outlook for medium-term inflation) and anticipated that a gradual but sustained path of further increases in interest rates would be appropriate. As previously announced, the special conditions of TLTRO-III ceased to apply on June 23, 2022.

On June 15, 2022 the Governing Council of the ECB held an ad hoc meeting to exchange of views on the current market situation, pledging to act against resurgent fragmentation risks. The lasting vulnerabilities left by the pandemic in the euro-area economy were contributing to the uneven transmission of the normalization of monetary policy across jurisdictions, a condition for the ECB to pursue its mandate to ensure price stability. Based on this assessment, it was decided to apply flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to preserving the functioning of the monetary policy transmission mechanism and to mandate the relevant Eurosystem Committees together with the ECB services to accelerate the completion of the design of a new anti-fragmentation instrument.

At its meeting on July 21, 2022, the Governing Council decided to raise the ECB's three key interest rates by 50 basis points and approved the Transmission Protection Instrument (TPI). In view of the updated assessment of inflation risks and the reinforced support provided by the TPI for the effective transmission of monetary policy, it was decided to raise the interest rates on main refinancing operations, the marginal lending facility and the deposit facility to 0.50%, 0.75% and 0.00% respectively.

At its meeting on September 8, 2022, the Governing Council of the ECB decided to raise its three key interest rates by 75 basis points: accordingly, the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the central bank were raised to 1.125%, 1.150% and 0.75% respectively.

Following the increase in the rate on the deposit facility above zero, making the two-level system for the remuneration of excess reserves no longer necessary, the associated multiplier was set to zero.

At its meeting on October 27, 2022, the Governing Council decided to raise its three key interest rates by 75 basis points, in line with market expectations: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility with the ECB were raised to 2.00%, 2.25% and 1.50% respectively, an increase necessary to counter inflation that was "far too high" due to the surge in energy and food prices, supply bottlenecks and the post-pandemic recovery in demand.

At its meeting on December 15, 2022, the Governing Council decided to increase its three key interest rates by 50 basis points: the interest rates on main refinancing operations, the marginal lending facility and the deposit facility were brought to 2.50%, 2.75% and 2.00% respectively. The Governing Council also discussed the criteria for the reduction of the Asset Purchase Program (APP) portfolio, i.e. the passive phase of quantitative tightening, agreeing that starting from early March 2023, reinvestment of principal repayments on maturing securities would be reduced at a rate equal an average of €15 billion per month until the end of the second quarter of 2023.

On December 20, 2022, the ECB announced a number of changes in its risk control framework, in the context of the post-pandemic normalization of haircuts policy.

At its meeting on February 2, 2023, the Governing Council decided to raise its interest rates on main refinancing operations, the marginal lending facility and deposit facility by a further 50 basis points, bringing them to 3.00%, at 3.25% and 2.50% respectively. It also announced that it intended to raise rates by an additional 50 basis points at its March meeting. On the same occasion, the Governing Council specified the procedures for reducing the Eurosystem's holdings of securities under the asset purchase program (APP): the pace of the decline will be equal to an average of €15 billion per month from the start of March to the end of June 2023, while the subsequent pace of reduction will be determined over time. Partial reinvestments will be conducted on the basis of the criteria of proportionality, neutrality and simplicity. For the Eurosystem's corporate bond purchases, the remaining reinvestments will be tilted more strongly towards issuers with a better climate performance. Reinvestments under the PEPP program will continue at least until the end of 2024.

At its meeting on March 16, 2022, the Governing Council of the ECB decided to raise its three key interest rates by 50 basis points. Accordingly, the interest rates on main refinancing operations, the marginal lending facility and the deposit facility will be raised to 3.50%, 3.75% and 3.00% respectively, with effect from March 22, 2023.

Other regulatory and supervisory measures

In 2022, the Banking Package 2021, i.e. the package of rules proposed by the EU Commission in October 2021 to incorporate into European legislation the international standards approved by the Basel Committee in 2017 ("Basel 3 Finalisation"), continued the legislative process.

In the last quarter of 2022, the EU Council reached a general agreement, publishing its position on the regulatory texts (so-called "first reading"). In February 2023, the European Parliament also approved its version of the texts amending the Capital Requirements Directive (CRD6) and the Capital Requirements Regulation (CRR3). Three-way negotiations will now begin, with the Council and the Commission (so-called Trilogue) to draft a consensus version that will be adopted and enter force with its publication in the *Official Journal of the European Union*.

All the formal steps to produce the final version of the Banking Package 2021 will presumably be completed by the end of 2023 in order to give banks time to comply with the new rules on capital requirements contained in the CRR3 (which will take effect from 2025 with a phase-in period for certain specific areas that will extend beyond 2030) and to enable the Member States to transpose the CRD6 rules into their national legislation (in the current version, transposition should take place within 18 months of the entry into force of the law).

The text now under discussion at the European level differs from the original standard of the Basel Committee because a number of modifications have been added in order to make implementation of the new rules less burdensome in Europe and support banks in the current macroeconomic environment. In this context, a rule of particular interest to Italian banks concerns the re-introduction of a capital filter for the change in the valuation reserve of debt securities of central, regional or local authorities classified under financial assets at FVOCI (fair value through other comprehensive income). The previous filter, introduced in the prudential rules in the first version of the CRR with a phase-in mechanism (running from 2014 to 2017) and reintroduced (focused on public debt securities to deal with the effects on the banking system of the COVID-19 pandemic) with a transition mechanism until 2022, losing effect on December 31, 2022. The recent position of the EU Council on the Banking Package 2021 retains the filter mechanism to protect banks' capital from the risk of rising rates on government securities in the current context of slowing economic growth induced by the conflict in Ukraine. It would allow full sterilization until 2025 of unrealized profits and losses (accumulated since the end of 2019) on government securities measured at FVOCI.

Another important new feature that will involve the mutual banking world in particular is included in the text approved by the EU Parliament. An amendment to Article 97 of the CRD Directive will oblige the supervisory authorities, as part of the supervisory process, to apply the principle of proportionality in the cases of credit institutions, such as mutual banks, belonging to a banking group and, more generally, if the subsidiaries are small and non-complex entities or less significant institutions.

On June 21, 2022, Delegated Regulation No. 2022/954 was published in the Official Journal of the European Union. It seeks to foster the development of the secondary market for non-performing loans, allowing the application of the discount on the purchase price as a specific value adjustment for non-performing exposures. Basically, considering the discount in the price of an exposure in default as a specific adjustment it make it easier to benefit from the weighting factor of 100% on the unsecured portion of the purchased exposure (granted under Article 127 of the CRR if the coverage of the position is more than 20%). The rule, which has been applied since July 2022, mainly benefits banks that use the standardized method for credit risk, with advantages also in terms of competitiveness on the NPL market.

Last year also saw important changes in the legislation governing banking crises: from January 1, 2022 the intermediate targets of the MREL (the requirement introduced by the Bank Recovery and Resolution Directive (BRRD) of 2014 with the aim of ensuring that banks have an adequate capacity to absorb losses and replenish capital in situations of distress) are binding. The MREL is calculated as the ratio between eligible liabilities (i.e. equity and debt instruments with a residual maturity of more than one year: own funds, AT1, Tier 2 and other subordinated instruments, senior non-preferred securities, other senior bonds) and risk weighted assets. This requirement varies from bank to bank depending on the priority resolution strategy outlined in the plans prepared by the Single Resolution Board (SRB *)*. The intermediate target at January 1, 2022 is represented by the subordination constraint because for all larger banks a part of the MREL must be satisfied with instruments represented by own funds, AT1, subordinated and senior non-preferred instruments. In general, for banks with assets of less than €100 billion, the subordination requirement is not mandatory but can be imposed by the resolution authority if deemed appropriate. Instead, the final MREL target must be met from January 1, 2024, unless otherwise specified by the resolution authorities.

The main supervisory measures in 2022 also include the interventions of the EBA involving regulations for the management of interest rate risk on the banking book (IRRBB). In October 2022, the EBA published a number of regulatory technical standards on the subject, namely the Guidelines on IRRBB and credit spread risk arising from non-trading book activities (CSRBB), which cover technical issues concerning the management of interest rate risk and will apply from June 30, 2023, with the exception of the part on the CSRBB, which will apply from December 31, 2023. In addition, a technical standard on supervisory outlier tests (SOT) has been published, specifying common modeling and parametric assumptions and supervisory shock scenarios to identify institutions for which EVE (economic value of the banking book) would decrease by more than 15% of Tier 1 capital and to assess whether there is a sharp drop in net interest income (in the "parallel down" shock), which could trigger supervisory action. The EBA has defined a reduction in net interest income of more than -2.5% of Tier 1 capital as a "large decline in net interest income". In order to become binding, the technical standard must be approved by EU legislators and published in the *Official Journal of the European Union*.

3. DISTINGUISHING CHARACTERISTICS OF THE ICBG, GEOGRAPHICAL DISTRIBUTION, STRUCTURAL ARRANGEMENTS, SPECIFIC NATURE OF THE AFFILIATED MUTUTAL BANKS AND THEIR MISSION

The Iccrea Cooperative Banking Group has its legal foundation in the Cohesion Contract (pursuant to Article 37-bis of the Consolidated Banking Act) between the Parent Company, Iccrea Banca (the central body), and the affiliated mutual banks (affiliated banks), through which the latter have granted the Parent Company powers of management and coordination, exercised on a proportionate basis and as a function of the relative health of the affiliated banks, with the aim of preserving the stability of the Group and its members and promoting the cooperative spirit and mutualistic function of the mutual banks and the Group.

In this regard, the Cohesion Contract calls for the joint and several guarantee of all obligations assumed by the Parent Company and by the affiliated banks in observance of the principles of prudence applicable to banking groups and to the individual affiliated banks as a further necessary factor. This cross-guarantee between the Parent Company and the affiliated banks is governed by contract with the effect of qualifying the liabilities of the Parent Company and of the affiliated banks as joint and several obligations of all those who accept the agreement. The guarantee also calls for intercompany financial support mechanisms under which the members of the group provide mutual support to ensure solvency and liquidity in order to ensure compliance with prudential requirements and the regulations issued by the supervisory authorities as well as to avoid, where necessary, being subject to the insolvency procedures of Legislative Decree 180/2015 or the compulsory liquidation procedures of Article 80 *et seq.* of the Consolidated Banking Act.

Any necessary support (capital or liquidity) provided to the affiliated banks – taking account of the output of the early warning system (EWS) – in order to ensure the solvency and liquidity of the individual members of the Group are carried out by the Parent Company alone, drawing on the financial resources made available by the participants under the provisions of the Guarantee Agreement. Support actions may include: i) capitalization measures making use of the Ex Ante Share of the readily available funds (RAFs); ii) liquidity support measures, using ex ante funds or the Ex Post Quota of the readily available funds by way of special-purpose lines of credit; iii) any other form of intervention deemed appropriate by the Parent Company.

The RAFs represent readily available resources that each participant provides in order to ensure the prompt availability of funds to the Guarantee Scheme to carry out guarantee interventions. They are composed of an amount established ex ante and an amount that can be called in by the Parent Company when needed (the Ex Post Quota) following the procedures established in the Cohesion Contract. The guarantee obligation assumed by each participating entity is commensurate with their risk-weighted assets and kept within the limits of any capital in excess of their individual capital requirements, without prejudice to compliance with said requirements.

In view of the foregoing, the Iccrea Cooperative Banking Group is a group of entities affiliated with a central body pursuant to Article 10 of Regulation (EU) no. 575/2013 (the CRR), with the simultaneous presence of a mutual guarantee system, given that:

- the objectives of the central body and the affiliated institutions are the same;
- the solvency and liquidity of all the affiliated institutions are monitored together on the basis of consolidated accounts.

The implementation of the Guarantee Scheme

At least once a year, the Parent Company conducts stress tests of the participants in the Scheme, aimed at determining the readily available funds and consequently adjusting the shares of the affiliated banks based on the greater or lesser amount already provided. The outcome of these stress tests is used to quantify the total amount of readily available funds and, consequently, the guarantee obligations of the affiliated banks. It also serves to calibrate the thresholds of the early warning system.

The Ex Ante resources of the scheme are invested in liquid and collectible assets, subject to the limits and requirements set out in the associated investment policy. The financial resources that make up the Ex Ante portion of the RAFs are invested in instruments that can be readily liquidated, with a low level of risk and sufficient diversification to pursue the objective of capital conservation and the prompt availability of the financial means required to carry out guarantee interventions.

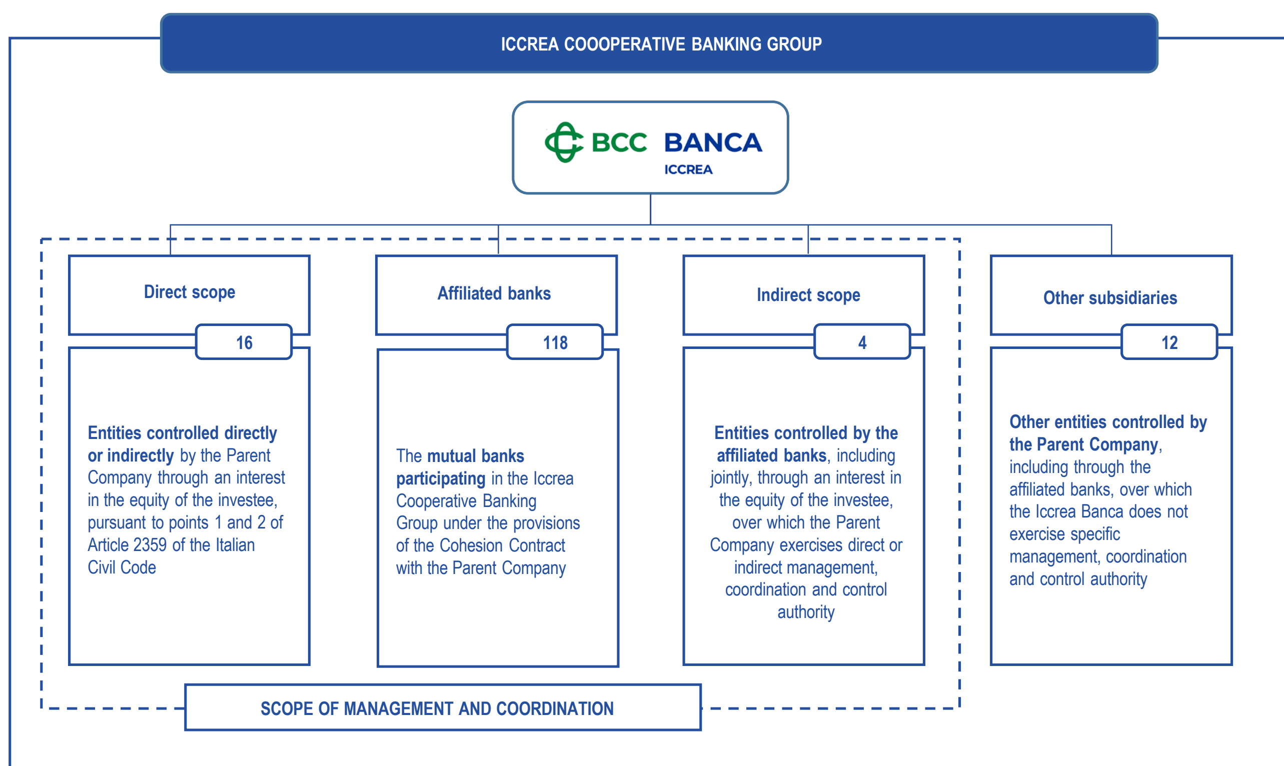
The capitalizations carried out by the Scheme are allocated on a pro-rata basis to the participants, who:

- recognize them as an indirect loan in an instrument included in the issuer's own funds;
- deducted, from a prudential point of view, from the component of own funds consistent with the type of intervention performed with the assisted bank.

The organizational structure of the Iccrea Cooperative Banking Group

As summarized in the following chart, at December 31, 2022, the Group is structured as follows:

- the Parent Company, Iccrea Banca S.p.A., which plays a management and coordination role for the Group and for interacting with the supervisory authorities;
- the companies subject to the management and coordination of the Parent Company, which include:
  - the affiliated banks, participating in the Group in virtue of the Cohesion Contract signed with the Parent Company;
  - subsidiaries held, directly or indirectly, by the Parent Company in accordance with points 1 and 2 of Article 2359 of the Italian Civil Code, over which the Parent Company exercises management, coordination and control powers (by convention, these companies are said to fall within the "direct scope" of management and coordination);
- companies controlled by affiliated banks, separately or jointly, by way of equity investments, over which the Parent Company directly or indirectly exercises management, coordination and control powers in light of their instrumental roles within the ICBG (by convention, these companies are said to fall within the "indirect scope" of management and control);
- other subsidiaries of the Parent Company, held directly or through the affiliated banks, over which Iccrea Banca does not exercise specific management, coordination, or control power.



Organizational structure of the Parent Company

The organizational structure of the Parent Company is based on the operating model and the strategic-operational activities required by the relevant legislation and the Cohesion Contract, which can be summarized in the macro-areas of: i) management, coordination, policy and control; ii) provision of services to affiliated banks and direct scope companies; and iii) carrying out the activities of the Parent Company.

The Parent Company's organization features a hierarchical structure. The first-level units report either to the Board of Directors (in the case of corporate control functions) or to the General Manager and mainly include organizational units that perform complementary/synergistic activities with related functional and operational traits and/or that belong to the same technical or operational area, thereby ensuring performance of the duties necessary in order to carry out the activities of the Parent Company and coordinate the decisions and operations of the units below them.

Group personnel

Total Group personnel at December 31, numbered 22,137 employees (21,680.3 FTE[5]), broken down as follows:

Scope	Number of employees December 31, 2022	FTE December 31, 2022
Mutual bank employees	18,490	18,066.1
Iccrea Banca and direct scope companies	3,612	3,578.6
Other companies	42	42.0
Total	**22,144**	**21,686.7**

Developments in hiring and terminations within the Group in 2022 produced a net increase of 11 employees at December 31, 2022 (1,352 new hires compared with 1,341 terminations). Of these, 307 involved intragroup transfers. The composition of the workforce by category and gender at December 31, 2022, is reported in the following table

Position	Men	Women	Total
Senior management	346	29	375
Middle management	4,893	1,774	6,667
Office staff	7,470	7,632	15,102
Total	**12,709**	**9,435**	**22,144**
of which:			
On open-ended contracts	12,444	9,212	21,656
On fixed-term contracts	265	223	488

The Parent Company's workforce showed a net increase of 15 in 2022: 187 new hires, of which 40 intragroup, and 172 departures, of which 87 intragroup. Of the 87 intra-group transfers, 72 are attributable to the launch of BCC Pay, discussed in greater detail below. New market hires (147) mainly regard the replacement of departures (85) and additional hires connected with the organizational needs of the Group.

More specifically:

- as a result of the agreement signed between the parties on December 22, 2020, the employees of the Parent Company and those of the companies within the direct scope had the opportunity to terminate their employment relationship and receive extraordinary benefits through the Cooperative Credit Solidarity Fund if they would meet the first of the pension requirements (old age, Fornero Act early retirement) within 60 months, starting from April 1, 2021 and up to March 31, 2022. Under the agreement, in 2022, the companies within the direct scope registered 13 terminations. A further 3 employees departed through the "Quota 100" early retirement incentive plan;
- concurrently with the creation of the single Group Back Office hub as part of the centralization of the administrative and operational activities of the Group within a single company, 8 operations were performed in 2022 involving 56 employees of affiliated mutual banks transferred to Sinergia. A further 7 employees were transferred to Sinergia from other Group companies. Again as part of the transformation of Sinergia into a single Back Office hub and within the broader process of reorganizing the Group's shareholding structures, the merger of In.Cra. into Sinergia was completed, an operation involving 22 employees;
- during the first half of 2022, the transfer of the e-money business unit by Iccrea Banca to BCC Pay was completed on May 1, marking the full operational start-up of the company, which at June 30, 2022 had a workforce of 74 employees, 72 of whom transferred from the Parent Company. During the second half of 2022, BCC Pay exited the Group.
- during the second half of the year, BCC Servizi Assicurativi, which had a workforce of 27 at December 31, 2022, joined the Group;
- as part of the overall reorganization and to raise the general level of operating efficiency, the concentration of the affiliated banks continued throughout 2022, with the implementation of a number of extraordinary business combinations involving a total of 2,135 employees.

Distinctive features of the mutual banks

Under Italian law, mutual credit activities enjoy dual constitutional recognition. As part of the wider cooperative movement, it is protected by Article 45, which recognizes "the social function of cooperation of a mutual and non-speculative nature", while in its function of intermediation of savings and credit, it falls within the particular duty that Article 47 assigns to the Italian state to encourage and safeguard savings in all its forms and to regulate, coordinate and control the exercise of credit activities.

In addition to a business model based on this relationship, the difference between the mutual banks and their more traditional brethren is explicated in the Consolidated Banking Act (Articles 33 et seq. of the Consolidated Banking Act, with significant amendments introduced with

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

the Reform Law 49/2016, which introduced the rules governing cooperative banking groups).

More specifically, primary legislation (Articles 33-37 of the Consolidated Banking Act, as amended by the legislation governing cooperative banking groups) requires the following of mutual banks: i) that they be established as limited-liability, joint-stock cooperatives (*società cooperativa per azioni a responsabilità limitata*); ii) that they have no fewer than 500 shareholders; iii) that their shareholders be residents of or have operations, on an ongoing basis, in the community in which the bank operates; iv) that every shareholder have one vote, regardless of the number of shares held; v) that no shareholder may own shares with a total nominal value of greater than €100,000; and (vi) at least 70% of annual net profits be allocated to the legal reserve (3% of annual net profits is allocated to mutualistic funds for the promotion and development of cooperation efforts).

The vocation of service to local communities is also expressed in secondary legislation issued by the Bank of Italy (Bank of Italy Circular no. 285, Part III, Chapter 5), which, in implementation of Article 35(2) of the Consolidated Banking Act,[6] states that no less than 95% of all business shall be conducted within the bank's territory,[7] and at least 50% of this business shall be in favor of shareholders,[8] such that the funding of the bank shall, in essence, go to supporting and financing the economic growth of the traditional area of operations. The aforementioned rules for the preservation of mutuality and localism were confirmed by the reform of the sector, whose objective – as underscored by the Bank of Italy - was solely to "remove the regulatory and operational constraints typical of entities established as cooperatives - which could have hindered rapid recapitalization, including through access to the capital market, in case of need - and the related diseconomies associated with the small size of such entities" (Circular no. 285, Part Three, Chapter 5, Section 1, sub-section 1).

In line with their nature as mutual banks, the affiliated banks pursue the objective of maximizing their social utility in the conduct of their business.

The branch network and strategic positioning of the Group's retail banks

At December 31, 2022 the Group had 118 affiliated mutual banks, distributed in almost all regions of the country, with the exception of Valle d'Aosta, Trentino Alto Adige, Liguria and Umbria (although the Group does have branches in the latter three regions).

In 2022, the number of affiliated banks declined from 128 to 118 as a result of 7 mergers involving 16 affiliated banks and one demerger involving 3 affiliated banks.

The Group has 2,434 branches operated by 118 mutual banks and Banca Sviluppo, with one branch. More than 56% of branches are located in the Italian regions of Lombardy, Veneto, Tuscany and Emilia-Romagna for a nationwide branch market share of 11.6%.

In 2022, the affiliated bank branch network saw the closure of 85 branches, partially offset by the opening of new branches in locations with greater potential for business development. The result of these changes was a net reduction of 40 branches compared with December 2021. The developments in the network, which focused in expanding our presence in more attractive markets, produced a lesser impact from rationalization than that recorded by the rest of the national banking system, but this must be framed within the mission of the affiliated mutual banks, for which a local presence is one of the founding assets of the relationship with the shareholder-customer and local communities, in accordance with the Group's territorial development plan.

The Group has at least one branch in 1,680 of the 4,750 Italian municipalities served by banks (35.4% of the total). In 335 of these municipalities (20% of the total), the Group's branches are the only banking presence, consistent with the organization's community-centric mission. Lombardy is the region in which the Group is present in the most municipalities (392), while Tuscany boasts the largest share of municipalities with a banking presence with a Group branch (58.7%).

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[6] Which states that articles of association shall contain provisions related to assets, lending, funding, and territory of operations, as well as to the powers granted to the parent company in accordance with Article 37-bis, with such provisions being based on the criteria set by the Bank of Italy.

[7] Known as the limit on out-of-area operations. The limit does not include exposures to or secured by:

- central government entities of the Italian Republic or other euro-area countries, the European Central Bank and the Bank of Italy;
- the parent company and other companies belonging to a cooperative banking group , including commitments and guarantees undertaken in execution of the joint and several Guarantee Agreement;
- (guarantee systems established between mutual banks.

[8] Known as the prevalent operations rule, for which exposures to or secured by the following entities are treated as comparable to exposures to shareholders:

- central government entities of the Italian Republic or other euro-area countries, the European Central Bank and the Bank of Italy;
- the parent company and other companies belonging to a mutual banking group, including commitments and guarantees undertaken in execution of the joint and several Guarantee Agreement;
- guarantee systems established between mutual banks.

Region	Municipalities with banking services	with ICBG branch	(%)	of which ICBG is only bank	(%)
Lombardy	1005	392	39.0%	96	24.5%
Veneto	465	266	57.2%	44	16.5%
Tuscany	247	145	58.7%	4	2.7%
Emilia-Romagna	305	120	39.3%	8	6.7%
Sicily	253	101	39.9%	33	32.7%
Lazio	191	97	50.8%	17	17.5%
Marche	166	97	58.4%	14	14.4%
Campania	261	80	30.6%	33	41.3%
Calabria	117	52	44.4%	26	50.0%
Piedmont	458	63	13.8%	11	17.5%
Friuli-Venezia Giulia	152	60	39.5%	10	16.7%
Puglia	199	65	32.7%	3	4.6%
Abruzzo	126	55	43.7%	14	25.5%
Basilicata	73	31	42.4%	13	41.9%
Umbria	66	23	34.9%	3	13.0%
Molise	24	10	41.7%	5	50.0%
Liguria	109	11	10.1%	1	9.1%
Sardinia	261	10	3.8%	-	0.0%
Trentino-Alto Adige	248	2	0.8%	-	0.0%
Valle d'Aosta	24	-	0.0%	-	0.0%
Total	**4,750**	**1,680**	**35.4%**	**335**	**19.9%**

Source: based on Bank of Italy data as at December 31, 2022.

With regard to competitive pressure, 20% of the municipalities in which the Group is present have at most one branch of another bank, while 34% of municipalities have more than three bank competitors.

No. of other banks present in the municipalities in which ICBG has a presence	0	1	2	3	more than 3	Total
No. Municipalities	335	325	257	182	581	1,680
% of the total	19.9%	19.4%	15.3%	10.8%	34.6%	100.0%

Source: based on Bank of Italy data as at December 31, 2022.

Strategic positioning of the Group's banks

The retail banks of the Iccrea Cooperative Banking Group, including Banca Sviluppo, have a total market share of lending to resident customers (performing loans to consumer households and firms, net of repurchase agreements and Monetary Financial Institutions) of 6.1%, with a value of about €82 billion, broken down similarly between loans to consumer households and to firms.

By region, the Group has its largest market share, over 14%, of loans to customers in the Marche, followed by Tuscany, Abruzzo, Basilicata, Veneto and Friuli-Venezia Giulia with around 10%.

Region	Market share of lending to households and firms	Market share consumer households	Market share firms	Market share of customer deposits (consumer households and firms)
Marche	14.6%	14.3%	14.9%	15.1%
Tuscany	9.9%	9.6%	10.1%	11.2%
Abruzzo	10.6%	9.4%	11.7%	9.5%
Basilicata	10.3%	6.4%	14.2%	6.9%
Friuli – Venezia Giulia	9.9%	11.9%	8.4%	10.3%
Veneto	9.4%	10.6%	8.5%	10.6%
Emilia - Romagna	7.1%	8.6%	6.1%	6.9%
Calabria	6.1%	4.4%	8.9%	5.0%
Molise	5.7%	4.0%	7.7%	2.9%
Umbria	4.5%	3.9%	4.9%	5.7%
Lombardy	5.1%	5.1%	5.0%	6.4%
Piedmont	4.3%	3.9%	4.6%	4.1%
Puglia	4.6%	3.4%	6.2%	4.4%
Sicily	3.4%	2.5%	5.0%	4.9%
Campania	3.1%	1.9%	4.5%	3.1%
Lazio	6.6%	7.4%	5.7%	5.1%
Sardinia	2.3%	0.9%	4.3%	1.9%
Liguria	1.5%	1.3%	1.8%	1.2%
Valle d'Aosta	0.4%	0.3%	0.4%	0.2%
Trentino-Alto Adige/Sudtirol	0.4%	0.1%	0.5%	0.3%
Total	**6.1%**	**6.1%**	**6.1%**	**6.4%**

Source: based on supervisory and Bank of Italy data as at December 31, 2022. Loans to customers and customer deposits have been allocated on the basis of customer residence.

With regard to deposits by resident customers, market share is at 6.4%, equal to an amount of about €115 billion. Customer deposits (consumer households and firms) are also led by Marche, in which the Group has a 15% market share, followed by Tuscany, Veneto and Friuli-Venezia Giulia.

Distribution of employees

In line with the regional distribution of branches, the branch network by number of employees shows peak numbers in the regions of Lombardy, Veneto, Tuscany, Emilia–Romagna and Lazio. The average number of employees per branch nationwide was 4.7. The average number of employees per branch is the outcome of a process begun some time ago by the mutual banks, who have sought to optimize their presence in the territories they serve, reducing opening hours and days where appropriate while at the same time balancing the need for physical proximity with that for financial sustainability. Analyzing the data by region, Lombardy and Tuscany have the largest number of employees per branch (5.1), followed by Lazio and Piedmont (5.0).

Region	No. branch employees	Employees/Branch
Lombardy	2,471	5.1
Veneto	1,861	4.9
Tuscany	1,293	5.1
Emilia-Romagna	1,119	4.8
Lazio	968	5.0
Marche	766	4.7
Piedmont	429	5.0
Campania	496	4.1
Sicily	371	3.1
Friuli-Venezia Giulia	371	4.2
Puglia	353	4.4
Calabria	153	4.9
Abruzzo	316	4.2
Umbria	143	3.7
Basilicata	111	3.3
Liguria	58	5.2
Sardinia	42	3.8
Molise	27	2.7
Trentino-Alto Adige	4	2.0
Total Italy	**11,348**	**4.7**

Source: based on supervisory and Bank of Italy data as at December 31, 2022.

Ownership structure

In terms of ownership structure, the number of shareholders at December 2022 totaled about 861 thousand, an increase of more 16 thousand on December 31, 2021 (+1.9%). The northern and central areas account for 43% and 45%, respectively, covering together 88% of the total shareholder base. The Center-west area made the largest contribution to the growth in the number of shareholders, with a gain of more than 5200 on 2022.

Geographical area	No. shareholders Dec 22	(%)	No. shareholders Dec 21	(%)	Δ Dec 22 - Dec 21
North-west	247,154	28.7%	244,589	28.9%	2,565
North-east	123,143	14.3%	121,194	14.3%	1,949
Center-west	212,031	24.6%	206,808	24.5%	5,223
Center-east	176,159	20.4%	171,412	20.3%	4,747
South-west	75,324	8.8%	74,730	8.9%	594
South-east	27,339	3.2%	26,368	3.1%	971
Total	**861,150**	**100.0%**	**845,101**	**100.0%**	**16,049**

Source: based on supervisory data as at December 31, 2022. The number of shareholders is shown by area in which the bank is headquartered.

4. DEVELOPMENTS IN GROUP OPERATIONS

The following provides an overview of the main balance sheet and income statement figures of the Iccrea Cooperative Banking Group as at December 31, 2022. To enable a more immediate understanding of the Group's balance sheet and income statement, the following tables are reclassified[9] and presented in more summary form than those provided for in Circular no. 262/05 of the Bank of Italy.

Balance sheet

Consolidated assets

€/thousands	31/12/2022	31/12/2021
Cash and cash equivalents	1,189,908	1,674,568
Financial assets measured at fair value through profit or loss	1,675,821	1,728,765
Financial assets measured at fair value through other comprehensive income	8,308,596	7,850,471
Financial assets measured at amortized cost	150,601,923	159,230,846
a) due from banks	1,557,002	9,265,356
b) loans to customers	91,015,537	88,758,420
c) securities	58,029,384	61,207,070
Hedging derivatives and value adjustments of macro-hedged financial assets	1,016,595	106,620
Equity investments	220,460	128,524
Property, plant and equipment	2,556,424	2,646,505
Intangible assets	167,559	176,836
Tax assets	1,748,373	1,901,863
Non-current assets and disposal groups held for sale	12,307	12,694
Other assets	6,044,490	3,527,689
Total assets	**173,542,458**	**178,985,382**

The consolidated assets of the Iccrea Cooperative Banking Group at December 31, 2022, totaled €173.5 billion, down €5.4 billion (-3%) on December 31, 2021. The decrease is mainly attributable to the lower exposure the decrease in the exposure with central banks in reflection of the partial repayment of a TLTRO loan during the year.

Financial assets measured at fair value through profit or loss, in the amount of €1.7 billion, include financial assets held for trading in the amount of €254 million (which mainly includes derivatives and government securities held for trading), financial assets designated as at fair value in the amount of €251 million (in instruments in which liquidity from the guarantee scheme is invested, mainly European government securities), and other financial assets mandatorily measured at fair value in the amount of €1.2 billion (mainly in units of collective investment undertakings - CIUs, policies and postal bonds).

The table below shows these three portfolios and their related fair values based on tier system that reflects the significance of the inputs used to measure them. More specifically: i) security prices on an active market (level 1); ii) inputs other than security prices and which are observable directly (prices) or indirectly (derived form prices) on the market (level 2); iii) inputs not based on observable market data (level 3).

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

€/thousands	L1	L2	L3	Total 31/12/2022	Total 31/12/2021
Financial assets held for trading	26,022	227,989	482	254,494	168,649
Debt securities	21,986	70	196	22,252	84,125
Equity securities	2,435	-	-	2,436	1,157
Units in collective investment undertakings	705	505	127	1,337	3,009
Financial derivatives	897	227,414	159	228,470	80,358
Financial assets designated as at fair value	249,872	-	1,519	251,392	275,467
Debt securities	249,872	-	-	249,872	272,555
Financing	-	-	1,519	1,519	2,913
Financial assets mandatorily measured at fair value	59,483	829,336	281,116	1,169,936	1,284,648
Debt securities	26,581	38,915	6,699	72,196	71,479
Equity securities	21,468	24,061	9,790	55,319	70,202
Units in collective investment undertakings	9,431	93,839	223,519	326,789	307,331
Financing	2,003	672,521	41,108	715,632	835,637
Financial assets measured at fair value through profit or loss	**335,378**	**1,057,325**	**283,118**	**1,675,821**	**1,728,765**

The portfolio of financial assets measured at fair value through other comprehensive income amounted to €8.3 billion, up on December 31, 2021, and is mainly represented by government securities held in accordance with the HTCS business model. The aggregate also includes minority interests in the amount of €497 million, which are measured at fair value through other comprehensive income without recycling to profit or loss.

€/thousands	L1	L2	L3	Total 31/12/2022	Total 31/12/2021
Debt securities	7,772,098	39,427	33	7,811,558	7,524,144
Equity securities	22,544	406,565	67,928	497,038	326,327
Financial assets measured at fair value through other comprehensive income	**7,794,642**	**445,992**	**67,962**	**8,308,596**	**7,850,471**

For a breakdown of financial assets measured at amortized cost, in the amount of €150.6 billion, more than 61% is in loans with the remainder in debt securities. These assets may be categorized by their relative level of risk as shown below.

€/thousands	Gross value		Total writedowns		Net value Total 31/12/2022
	Stages 1 and 2	Stage 3	Stages 1 and 2	Stage 3	
Financing	92,059,246	4,691,025	(995,940)	(3,181,792)	92,572,539
Loans to banks [10]	1,558,957	1,295	(1,991)	(1,259)	1,557,002
Loans to customers [2]	90,500,288	4,689,731	(993,949)	(3,180,534)	91,015,537
Debt securities	58,130,857	1,414	(101,629)	(1,257)	58,029,384
Total financial assets measured at amortized cost	**152,922,083**	**5,559,135**	**(1,194,623)**	**(3,565,497)**	**150,601,923**

More specifically, net loans to customers totaled more than €91 billion, €90 billion of which performing and about €1.5 billion related to impaired positions. Of this total, more than 80% was in medium and long-term financing (both loans and leases). Lending to ordinary customers (+€1.7 billion) and exposures to the Clearing and Guarantee Fund (+€0.6 billion) both increased during the year compared with December 2021.

€/thousands	Total 31/12/2022	% share	Total 31/12/2021	% share
Current accounts	6,342,398	7.0%	6,070,859	6.8%
Repurchase agreements	778,722	0.9%	203,329	0.2%
Medium/long-term loans	70,032,270	76.9%	68,557,704	77.2%
Credit cards, personal loans and salary-backed loans	2,149,929	2.4%	2,167,986	2.4%
Lease financing	3,766,444	4.1%	4,103,305	4.6%
Factoring	648,090	0.7%	574,051	0.6%
Other lending	7,297,685	8.0%	7,081,186	8.0%
Financial assets measured at amortized cost – Loans to customers	**91,015,537**	**100.0%**	**88,758,420**	**100.0%**

Gross impaired loans, which have continued to decrease in recent years thanks to robust de-risking efforts pursued in coordination with the Parent Company, came to about €4.7 billion, or 4.8% of total gross lending (4.9% of loans to customers alone). Net impaired loans amounted to about €1.5 billion, equal to 1.6% of net lending (1.7% when considering only ordinary customers). The ratios of net bad loans and net

[10] Source: based on consolidated Finrep data.

unlikely-to-pay positions to total net lending came to 0.3% and 1% respectively (0.3% and 1.1% when considering only ordinary customers).

As shown in the table below, efforts to improve the Group's risk profile can also be seen in the more prudent assessment policies, which have resulted in an increase in the coverage of NPLs to 67.8% in 2022, an increase of 5.1 percentage points compared with the end of the previous year.

Type of exposure	Gross exposure	Writedowns	Net exposure	Coverage 31/12/2022	Coverage 31/12/2021
Bad loans	1,635,168	(1,345,896)	289,272	82.3%	78.8%
Unlikely-to-pay positions	2,687,833	(1,730,220)	957,613	64.4%	53.9%
Impaired past-due positions	366,730	(104,418)	262,312	28.5%	20.9%
Impaired exposures to customers at year end	**4,689,731**	**(3,180,534)**	**1,509,197**	**67.8%**	**62.7%**

The particular business model of the affiliated banks, which account for the largest component of assets and of total loans to customers, is reflected, above all, in the type of counterparty. Total loans disbursed, a gross amount of €95.2 billion, have mainly gone to households and small and medium-sized enterprises (SMEs), which accounted for 39% and 46% of total lending, respectively. As shown in the table below, these segments feature a lower NPL ratio than for the corporate segment, thereby confirming the ability to better discriminate and manage credit relationships with households and SMEs, which have always been the core customer base of mutual banks.

Type of counterparty	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	NPL Ratio	Ratio to total NPL
Ordinary customers	94,228,579	99.0%	95.0%	98.9%	5.0%	100.0%
Consumer households	37,375,114	39.3%	96.9%	40.0%	3.1%	24.6%
Small and medium-sized enterprises	44,028,642	46.3%	93.9%	45.7%	6.1%	57.5%
- Family businesses	7,367,945	7.7%	93.7%	7.6%	6.3%	9.9%
- Micro-businesses, associations and other organizations	7,760,966	8.2%	93.2%	8.0%	6.8%	11.3%
- Other SMEs	28,899,731	30.4%	94.1%	30.0%	5.9%	36.3%
Other non-financial companies	11,377,075	12.0%	92.9%	11.7%	7.1%	17.3%
Other financial companies	1,447,749	1.5%	98.0%	1.6%	2.0%	0.6%
Government entities	961,439	1.0%	100.0%	1.1%	0.0%	0.0%
Total loans to customers at period end	**95,190,019**	**100.0%**	**95.1%**	**100.0%**	**4.9%**	**100.0%**

In terms of geographical distribution, the Group's exposures are mainly concentrated in northern Italy (56%), where there has been a lower level of credit risk, and in central Italy (31%).

Geographical area	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	NPL Ratio	Ratio to total NPL
North-east	28,091,629	29.5%	28.3%	29.7%	4.2%	25.1%
North-west	25,442,043	26.7%	25.6%	26.9%	4.4%	23.6%
Center	29,526,058	31.0%	29.3%	30.8%	5.7%	35.6%
South and islands	12,130,289	12.8%	12.0%	12.6%	6.1%	15.7%
Total loans to customers at period end	**95,190,019**	**100.0%**	**95.1%**	**100.0%**	**4.9%**	**100.0%**

In terms of the economic segment of customers, in addition to consumer households, the segments that saw the greatest lending were services, manufacturing, real estate and construction (which has the highest level of NPLs), and commerce.

Economic segment of borrowers	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	Ratio to total	Ratio to total NPL
Consumer households	37,375,114	39.3%	96.9%	40.0%	3.1%	24.6%
Primary sector	5,246,640	5.5%	95.8%	5.6%	4.2%	4.7%
Manufacturing	12,952,261	13.6%	95.7%	13.7%	4.3%	11.9%
Commerce	9,820,090	10.3%	94.0%	10.2%	6.0%	12.5%
Real estate and construction	12,404,260	13.0%	88.8%	12.2%	11.2%	29.6%
Services and other	14,982,465	15.8%	95.0%	15.7%	5.0%	16.1%
Government entities	961,439	1.0%	100.0%	1.1%	0.0%	0.0%
Financial companies	1,447,749	1.5%	98.0%	1.6%	2.0%	0.6%
Total loans to customers at period end	**95,190,019**	**100.0%**	**95.1%**	**100.0%**	**4.9%**	**100.0%**

The particular model of mutual banking, featuring a prevalence of medium and long-term lending to households and small businesses, is responsible for the high rate of collateral-backed lending (more than 60%). More specifically, about 69.6% of all impaired lending is backed by collateral, and this figure is to be interpreted in conjunction with the high level of NPL coverage, which testifies to the prudent approach to assessing the recoverability of credit.

Type of guarantee	Gross value	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances	
			Ratio to total	Ratio to total performing	Ratio to total	Ratio to total NPL
Collateral	57,290,844	60.2%	94.3%	59.7%	5.7%	69.6%
Unsecured guarantees	22,891,670	24.0%	95.8%	24.2%	4.2%	20.3%
Not guaranteed	15,007,505	15.8%	96.8%	16.1%	3.2%	10.1%
Total loans to customers at period end	**95,190,019**	**100.0%**	**95.1%**	**100.0%**	**4.9%**	**100.0%**

With regard to financial assets measured at amortized cost, amounts due from banks amounted to approximately €1.6 billion and include €0.6 billion in respect of the reserve requirement with central banks (down €7.4 billion on December 31, 2021, mainly reflecting the decrease in the exposure with central banks as a result of the partial repayment of a TLTRO loan).

€/thousands	Stages 1 and 2	Stage 3	Total 31/12/2022	% share	Total 31/12/2021	% share
Due from central banks – reserve requirement	589,472	-	589,472	37.9%	8,014,335	86.5%
Loans to banks - financing	967,494	36	967,530	62.1%	1,251,021	13.5%
Financial assets measured at amortized cost – Loans to banks	**1,556,966**	**36**	**1,557,002**	**100.0%**	**9,265,356**	**100.0%**

Finally, debt securities measured at amortized cost (under the HTC business model), largely represented by Italian government securities, totaled €58 billion, down €3.2 billion on December 31, 2021.

Among assets: i) equity investments (€220 million) represent interests in associates, the most significant of which are the investments in Pay Holding S.p.A. (€183.8 million), Pitagora S.p.A. (€10.7 million) and BCC Assicurazioni S.p.A. (€4.7 million); ii) property, plant and equipment, totaling €2.6 billion, which mainly includes property used in operations (€2 billion) as well as properties contributed to consolidated real estate investment funds in the amount of €0.4 billion; iii) intangible assets (€167.6 million) mainly include software and user licenses (€131 million) and, to a lesser extent, goodwill for the remaining €20 million, a portion of which has been recognized among assets for the affiliated banks for the acquisition of bank branches (€4.1 million) prior to creation of the Cooperative Banking Group; iv) tax assets totaling about €1.7 billion including current taxes of about €0.4 billion and deferred tax assets of about €1.3 billion, the latter of which includes about €0.9 billion referring to Law 214/2011; and v) other assets of €6 billion, which among other things include tax credits of about €3 billion.

Consolidated liabilities and equity

€/thousand	31/12/2022	31/12/2021
Financial liabilities measured at amortized cost	157,077,471	163,443,580
a) due to banks	28,518,246	34,585,361
b) due to customers	119,363,643	117,551,739
c) securities issued	9,195,582	11,306,480
Financial liabilities held for trading	236,482	129,475
Financial liabilities designated as at fair value	-	256
Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-)	349,416	495,080
Tax liabilities	75,317	44,173
Other liabilities	3,165,471	3,378,853
Post-employment benefits	225,719	277,961
Provisions for risks and charges	542,064	521,102
Equity	10,083,464	10,238,138
Profit/(loss) for the period	1,787,052	456,765
Total liabilities and equity	**173,542,458**	**178,985,382**

Total consolidated liabilities and equity at December 31, 2022 amounted to more than €173 billion, down €5.4 billion (-3%) on December 31, 2021. The decrease is mainly attributable to liabilities measured at amortized cost following deleveraging transactions during the period (partial repayment of TLTRO funding).

More specifically, financial liabilities measured at amortized cost include direct funding from ordinary customers (securities issued, amounts due to customers, the latter net of institutional fundraising) totaling about €120.8 billion, down slightly on the end of 2021, attributable to the decline in securities issued, reflecting maturing securities that were not offset by new issues (-€2.1 billion).

€/thousands	31/12/2022	31/12/2021
Due to customers	111,650,210	110,742,741
Current accounts and demand deposits	106,716,163	104,311,902
Time deposits	3,698,246	4,865,989
Other amounts due	1,235,800	1,564,850
Outstanding securities	9,195,582	11,306,480
Bonds	5,433,875	6,617,687
Other securities	3,761,707	4,688,793
Financial liabilities measured at amortized cost – Direct funding from ordinary customers	**120,845,792**	**122,049,221**

Amounts due to ordinary customers came to €111.7 billion, broadly unchanged. Of the total, 90% is represented by funding from consumer households and SMEs.

€/thousands	31/12/2022		31/12/2021	
	Total	Ratio to total	Total	Ratio to total
Ordinary customers	109,530,991	98.1%	108,721,797	98.2%
Consumer households	67,282,974	60.3%	67,428,205	60.9%
Small and medium-sized enterprises	33,230,793	29.8%	33,557,404	30.3%
- Producer households	6,272,214	5.6%	6,422,567	5.8%
- Micro-businesses, associations and other organizations	6,665,995	6.0%	6,255,307	5.6%
- Other SMEs	20,292,584	18.2%	20,879,530	18.9%
- Other non-financial companies	5,604,557	5.0%	5,271,798	4.8%
- Other financial companies	3,412,667	3.1%	2,464,390	2.2%
Government entities	2,119,219	1.9%	2,020,944	1.8%
Deposits and current accounts at amortized cost	**111,650,210**	**100.0%**	**110,742,741**	**100.0%**

The remainder of financial liabilities measured at amortized cost comprises funding from institutional customers (€36.2 billion) and includes: i) €6.4 billion in repurchase agreements, almost entirely with the Clearing & Guarantee Fund; ii) €28.5 billion in amounts due to banks, of which €26.3 billion in operations with the ECB (notably TLTROs) and €2.2 billion in other amounts due to banks outside the Group.

Amounts due to banks, of which 92% is represented by exposures to central banks, decreased by €6 billion. Those exposures contracted, of which €6.9 billion regarded deleveraging transactions carried out in 2022 (partial repayment of TLTRO funding).

€/thousands	31/12/2022	31/12/2021
Loans to customers	7,713,433	6,808,999
Repos	6,413,024	5,635,000
Other	1,300,409	1,173,999
Due to banks	28,518,246	34,585,361
Due to central banks	26,290,563	33,158,972
Due to banks	2,227,683	1,426,388
Current accounts and demand deposits	1,779,347	217,542
Time deposits	54,828	92,858
Loans and repurchase agreements	133,727	1,065,857
Other	259,781	50,131
Financial liabilities measured at amortized cost – Funding from institutional customers	**36,231,679**	**41,394,360**

Other main liabilities include the following: i) financial liabilities held for trading, in the amount of €236.5 million (+€107 million on 2021), which include the negative fair value of trading derivatives; ii) tax liabilities, totaling €75.3 million, including €23.2 million in deferred tax liabilities on temporarily non-taxable revenues; iii) other liabilities of about €3.2 billion; iv) post-employment benefits for the Group totaling €226 million and v) provisions for risks and charges of €542 million, which includes provisions for credit risk in the amount of €298 million against commitments to disburse funds and financial guarantees issued.

Consolidated shareholders' equity

Consolidated shareholders' equity totaled about €11.9 billion. Share capital includes the capital of the Parent Company, amounting to €1.4 billion, and the capital of the mutual banks, which, together with the Parent Company, constitute a single consolidating entity. Treasury shares mainly represent the capital of Iccrea Banca held by the affiliated banks consolidated in application of Article 1072 of Law 145/2018.

Reserves totaled about €9.2 billion and mainly included legal reserves of €10.8 billion – accumulated as a result of an aggressive use of self-funding by the affiliated banks in relation to the aforementioned obligation for the capitalization of at least 70% of earnings – and a negative IFRS 9 reserve of €1.6 billion.

€/thousands	31/12/2022	31/12/2021
Share capital	2,291,262	2,302,817
Equity instruments	30,139	30,139
Share premium reserve	150,835	148,345
Treasury shares	(1,380,525)	(1,263,218)
Valuation reserves	(205,161)	218,665
Reserves	9,164,414	8,735,189
Profit for the year	1,787,052	456,765
Equity attributable to shareholders of the Parent Company	**11,838,016**	**10,628,702**
Non-controlling interests	**32,501**	**66,202**
Total shareholders' equity	**11,870,517**	**10,694,904**

Income statement

Consolidated income statement

€/thousands	31/12/2022	31/12/2021
Net interest income	**3,693,433**	**2,760,731**
Net fee and commission income	**1,390,464**	**1,380,212**
Dividends, net gain/(loss) on trading activities, net gain/(loss) on hedging and net gain/(loss) on assets and liabilities at FVTPL	29,900	57,395
Net gain (loss) on disposals	41,152	429,214
Gross income	**5,154,949**	**4,627,553**
Net writedowns/writebacks for credit risk	(476,683)	(1,191,720)
- Financial assets measured at amortized cost – Loans to customers	*(478,935)*	*(1,174,563)*
Gains/losses from contract modifications without cancellations	(2,098)	(1,969)
Net income/(loss) from financial operations	**4,676,169**	**3,433,865**
Administrative expenses	(3,088,806)	(2,991,084)
a) personnel expenses	(1,808,008)	(1,712,036)
b) other administrative expenses	(1,280,798)	(1,279,048)
Depreciation, amortization and provisions	(281,079)	(307,918)
- of which provisions for guarantees issued	*(15,585)*	*(63,734)*
Other operating income/expense	321,852	336,219
Operating expenses	**(3,048,033)**	**(2,962,783)**
Profit/(loss) from equity investments	(6,385)	19,264
Net gain/(loss) from fair value measurement of property, plant and equipment and intangible assets	(23,835)	(15,836)
Goodwill impairment	(1,523)	(1,810)
Profit/(loss) from disposal of investments	(2,080)	85
Profit/(loss) before tax on continuing operations	**1,594,313**	**472,785**
Income tax expense from continuing operations	(222,697)	(12,214)
Profit/(loss) for the period	424,493	-
Net profit/(loss) attributable to non-controlling interests	**1,796,109**	**460,571**
Net profit/(loss) attributable to shareholders of the Parent Company	**9,057**	**3,806**
Net interest income	**1,787,052**	**456,765**

The Group ended 2022 with net profit of €1.8 billion, up €1.3 billion on 2021.

More specifically, net interest income came to €3.7 billion, the net result of interest income of €4.1 billion (including €2.5 billion on loans to customers and €1.9 billion on debt securities) and interest expense of about €0.4 billion (mainly related to amounts due to customers and outstanding securities recognized among financial liabilities and measured at amortized cost).

The increase in net interest income (+€933 million compared with December 2021) is mainly attributable to: i) higher interest income on debt securities (+€1.1 billion, mainly connected with the improved performance of BTPi in reflection of rising inflation); ii) an increase in negative differentials connected with hedging derivatives on hedged financial instruments (-€393 million); iii) an increase in interest accrued on tax credits resulting from tax incentive measures contained in government programs (+€77 million); and iv) a decline in interest expense (-€17 million) accrued in the period on debts, bonds and certificates of deposit.

Interest and similar income

€/thousands	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
Financial assets measured at fair value through profit or loss	11,366	1,425	-	12,791	14,383
Financial assets measured at fair value through other comprehensive income	133,193	-	-	133,193	47,496
Financial assets measured at amortized cost	1,798,453	2,496,310	-	4,294,763	2,962,930
Hedge derivatives	-	-	(616,146)	(616,146)	(221,628)
Other assets	-	-	94,044	94,044	16,587
Financial liabilities	-	-	193,691	193,691	344,385
Interest and similar income	**1,943,012**	**2,497,736**	**(328,411)**	**4,112,336**	**3,164,153**

Interest and similar expense

€/thousands	Payables	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
Financial liabilities measured at amortized cost	(211,945)	(160,639)	-	(372,584)	(356,352)
Financial liabilities held for trading	-	-	(52)	(52)	(263)
Financial liabilities designated as at fair value	-	(1)	(48)	(49)	(103)
Other liabilities and provisions	-	-	(1,906)	(1,906)	(1,497)
Hedge derivatives	-	-	1,375	1,375	(176)
Financial assets	-	-	(45,687)	(45,687)	(45,030)
Interest and similar expense	**(211,945)**	**(160,640)**	**(46,317)**	**(418,903)**	**(403,422)**

Net fee and commission income amounted to €1.4 billion in 2022, an increase of €10 million that partly reflected the general economic recovery registered in the period following the pandemic, and include commission income of about €1.8 billion (mainly relating to commissions for other collection and payment services, the management of current accounts and distribution of third-party services) net of commission expense of €387 million.

Fee and commission income

€/thousands	31/12/2022	31/12/2021
Guarantees issued	24,673	24,286
Management, intermediation and advisory services	143,183	156,753
Management of current accounts	547,460	518,185
Other collection and payment services	695,805	838,496
Distribution of third-party services	266,489	237,530
Other services	100,313	101,034
Fee and commission income	**1,777,922**	**1,876,285**

Fee and commission expense

€/thousands	31/12/2022	31/12/2021
Guarantees received	(2,206)	(1,142)
Management and intermediation services	(10,327)	(15,526)
Collection and payment services	(348,597)	(461,180)
Other services	(26,328)	(18,224)
Fee and commission expense	**(387,458)**	**(496,073)**

The net gain on disposals came to €41 million (-€388 million on 2021) mainly reflects It is mainly attributable to the sale of debt securities classified at amortized cost and assets measured at fair value through other comprehensive income (totaling €24 million) and, to a lesser extent, to the assignment of loans carried out by the Group (€16.7 million).

Net writedowns for credit risk amounted to €477 million, a decrease compared with the previous year, partly reflecting the close oversight of impaired positions implemented by the Group since its establishment, with a coverage ratio of 67.8% (62.7% at December 31, 2021).

Operating expenses amounted to about €3 billion, essentially in line with the previous year.

Profit of discontinued operations reports the outcome of the sale of the e-money division to FSI, equal to €424.5 million after taxes.

CONSOLIDATED OWN FUNDS AND CAPITAL ADEQUACY

Own funds

The following table offers a breakdown of own funds at December 31, 2022, which amounted to about €13.03 billion.

Capital and capital ratios - €/thousands	31/12/2022	31/12/2021
Share capital	2,291,261	2,302,817
Share premium reserve	150,834	148,345
Treasury shares and repurchase commitments	(1,401,557)	(1,331,942)
Reserves	9,420,135	8,993,918
Profit/(Loss) for the period	1,691,628	209,277
Other components of other comprehensive income	(460,880)	(37,884)
Transitional provisions – IFRS 9	668,033	1,087,121
Goodwill (net of related tax effects)	(19,380)	(20,897)
Intangible assets (net of related tax effects)	(85,099)	(86,002)
Other deductions	(29,678)	(24,666)
Prudential filters	60,359	(4,858)
Non-controlling interests	-	10,409
Common Equity Tier 1 (CET1)	**12,285,654**	**11,245,637**
Additional Tier 1 (AT1)	30,139	33,693
Tier 1 (T1)	**12,315,793**	**11,279,330**
Eligible subordinated loans	709,522	726,327
Tier 2 (T2)	**709,522**	**726,327**
Total Own Funds (TC)	**13,025,315**	**12,005,657**

In light of the special accounting rules applicable[11] and the obligation under Article 38 of the Consolidated Banking Act for the affiliated banks to allocate at least 70% of annual earnings to reserves, own funds mainly include reserves (about €9.4 billion), in addition to share capital, mainly composed of the shareholder contributions of the affiliated banks and the associated share premiums. Group capital, about € 2.3 billion, decreases to about € 890 million after elimination of the capital of the Parent Company held by the affiliated banks, reported under treasury shares.

CET1 at December 31, 2022, which represents about 94% of total capital, increases with respect to December 2021 by a total of about €1.04 billion (9.2%), reflecting the algebraic sum of developments in a number of its main components, and specifically: i) an increase in reserves (+€426 million, due primarily to the capitalization of 2021 net profit; ii) calculated net profit for the year– as per application to the ECB submitted on February 7, 2023 and approved by the ECB on February 10 – totaling €1,692 billion; iii) the reduction of the IFRS 9 phase–in from 50% to 25% in respect of the static and dynamic components of first-time application and from 100% to 75% of the quick-fix changes (total reduction of about €530 million); and iv) a reduction in the FVOCI reserve of €460 million (-€422 million compared with December 2021), partially mitigated by the activation of the prudential filter pursuant to Article 468 paragraph 1 - following the decision to elect the option of sterilizing the impacts of changes in the fair value of exposures to non-impaired positions with central and local government and public sector entities measured at fair value through other comprehensive income subsequent to December 31, 2019 – represented as an increase in the transitional provisions component of about €111 million.

The changes in the other aggregates of own funds (Additional Tier 1 and Tier 2) were marginal, amounting to a reduction of about €14 million, largely regarding Tier 2 capital in respect of the supervisory amortization of subordinated instruments.

Capital adequacy

Following the Supervisory Review and Evaluation Process, on January 24, 2022 the supervisory authorities notified Iccrea Banca of results of the SREP decision, which establishes the prudential requirements to be respected at the consolidated level with effect from March 1, 2022 (broken down into own funds requirements and qualitative requirements).

With this decision, which replaces the 2019 SREP decision that was applied for all of 2021 in view of the pandemic, the supervisory authorities established consolidated own funds requirements for 2022:

- an additional Pillar 2 requirement (P2R) of 2.83% (of which 8 bps for the NPE P2R in reflection of calendar provisioning, which could be lowered by the end of the year subject to certain conditions), of which a minimum of 56.25% to be held in the form of Common Equity Tier 1, CET1) and 75% in the form of Tier 1 capital;

[11] Under Article 38, point 2 bis of Legislative Decree 136 of August 18, 2015, concerning bank financial statements, which establishes that in the case of the cooperative banking groups referred to in Article 37-bis of Legislative Decree 385 of September 1, 1993, the Parent Company and the mutual banks affiliated with it under the provisions of the Cohesion Contract represent a single consolidating entity.

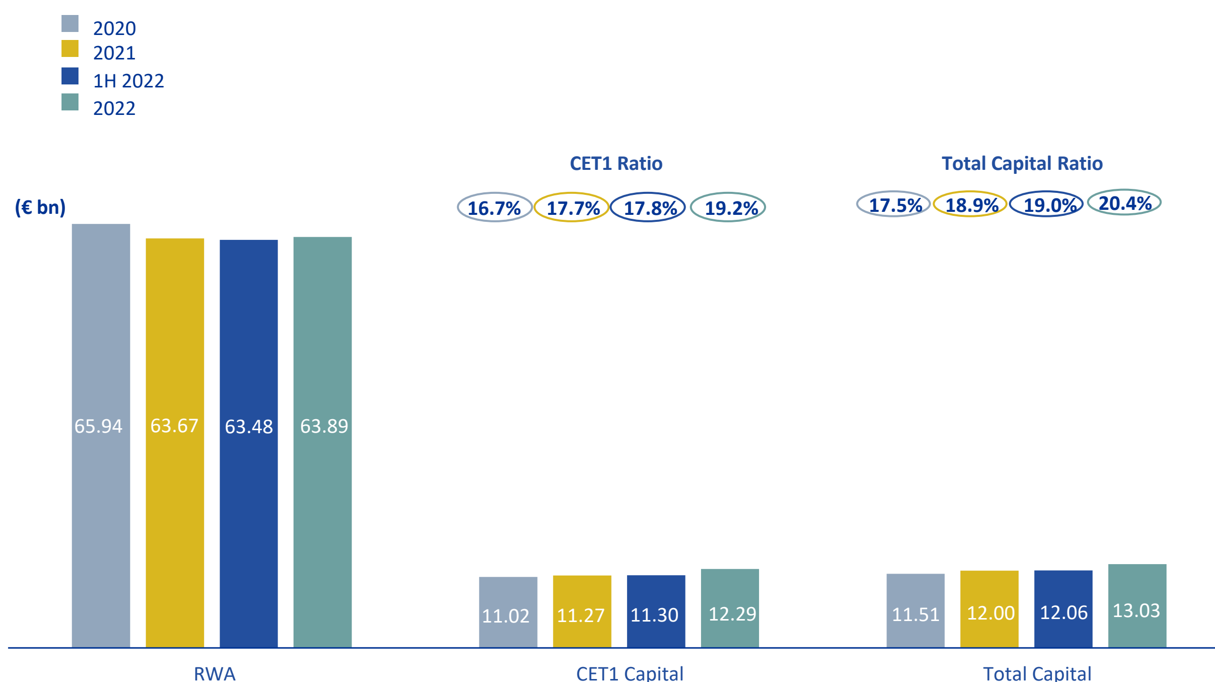
- a recommendation for Pillar 2 Guidance (P2G) of 1.75%, which should consist entirely of Common Equity Tier 1 capital and held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2022 the Iccrea Cooperative Banking Group is therefore required to meet:

- a Total SREP Capital Requirement (TSCR) of 10.83%;
- an OCR equal to 13.33%;
- a Target Requirement (including P2G) of 15.08%.

With the dynamics in own funds noted above, RWAs were in line with the level at the end of 2021 (€63.89 billion, compared with €63.48 billion at the end of December 2021, +0.7%).

The CET1 ratio at December 31, 2022, came to 19.2%, while the TC ratio came to 20.4%. As shown in the figure below, both of these ratios registered a substantial increase compared with December 2021 (17.7% and 18.9%, respectively).



Following the preliminary discussions undertaken in the second part of 2022, the supervisory authorities, with a notice received on December 14, 2022, informed the Parent Company of the results of the SREP decision, which establishes the prudential requirements to be met at the consolidated level with effect from January 1, 2023 (consisting of own funds requirements and qualitative requirements). With this decision, which replaces the previous SREP decision, the supervisory authorities established the following own funds requirements to be met for 2023:

- an additional Pillar 2 own funds requirement (P2R) of 2.80% (of which 5 bps for the NPE P2R, which is subject to reduction within the year upon the occurrence of certain conditions), of which a minimum of 56.25% to be held in the form of primary Tier 1 capital (Common Equity Tier 1, CET1) and 75% in the form of Tier 1 capital;
- a Pillar 2 capital guidance (P2G) equal to 1.75, consisting entirely of CET1, held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2023 the Iccrea Cooperative Banking Group is therefore required to comply with:

- a Total SREP Capital Requirement (TSCR) of 10.80%;
- an Overall Capital Requirement (OCR) of 13.30%;
- Target requirements (including P2G) equal to 15.05%.

As with the previous decisions, the SREP decision did not impose own funds requirements to be met on an individual basis by the Group's affiliated banks. Accordingly, in order to meet the above consolidated requirements, procedures for allocating them at an individual level are provided for in the main Risk Governance processes (i.e. RAF, EWS), compatibly with the capital capacity of each affiliated bank, thus ensuring that the Group's strategies and financial constraints are also reflected at the individual level.

Minimum Requirement of Eligible Liabilities (MREL)

With regard to Pillar II capital adequacy, Directive 2014/59/EU on bank recovery and resolution (Bank Recovery and Resolution Directive - BRRD - as amended) introduced the “MREL” (Minimum Requirement of Eligible Liabilities), representing the minimum requirement for own funds and eligible liabilities with a view to ensuring the proper functioning of the bail-in mechanism and guaranteeing the continuity of critical economic functions during and after a possible crisis.

In March 2023, Iccrea Banca, as the Group Resolution Entity, received the decision of the Single Resolution Board on the determination of the minimum requirement of own funds and eligible liabilities (MREL - Minimum Requirement of Eligible Liabilities), including the subordination requirement, defined in terms of total risk exposure (RWAs) and a metric of total the leverage exposure (LRE) to be achieved on a consolidated basis by the Resolution Group.

The final mandatory level of the MREL on a consolidated basis (with which the Parent Company is compliant), to be met by January 1, 2026, is equal to 25.55% of RWAs (including the combined buffer requirement of 2.5% of RWAs) and 6.35% of the LRE. The intermediate subordination requirement, to be met on a consolidated basis starting from January 1, 2022, is equal to 20.57% of RWAs (including the combined buffer requirement of 2.5% of RWAs) and 6.35% of the LRE.

With regard to the subordination requirement on a consolidated basis (with which the Parent Company is compliant), the final mandatory target, to be met by January 1, 2026, is equal to 18.62% of RWAs (including the combined buffer requirement of 2.5% of RWA) and 6.35% of the LRE. The intermediate subordination requirement, to be met on a consolidated basis starting from January 1, 2022, is equal to 16% of RWAs (including the combined buffer requirement of 2.5% of RWAs) and 6.35% of the LRE.

In order to comply with these requirements, the general-hybrid approach adopted by the Single Resolution Board requires consideration of the following elements:

- own funds at Group level calculated in accordance with the provisions of the CRR (Capital Requirements Regulation - Regulation (EU) no. 575/2013 as updated);
- liabilities eligible for the MREL and the subordination requirement issued by the Parent Company (as the Group Resolution Entity) with a residual maturity greater than one year.

At the reference date of December 31, 2022, the Group had, with respect to:

- the mandatory intermediate MREL on a consolidated basis, a surplus of about €1,780 million in terms of RWAs (+2.78% of consolidated RWAs) and a surplus of about €3,570 million in terms of the LRE (+2.00% of the consolidated LRE);
- the mandatory intermediate subordination requirement on a consolidated basis, a surplus of about €2,850 million in terms of RWAs (+4.46% of consolidated RWAs) and a surplus of about €1,718 million in terms of the LRE (+0.96% of the consolidated LRE).

5. THE GROUP'S STRATEGIC LINES OF BUSINESS

The ICBG's product and service delivery model is based on an organizational structure (defined internally for operational purposes) that is divided into the following strategic lines of business, chosen on the basis of factors that management considers in making its operational and strategic decisions and consistent with IFRS 8's disclosure requirements. A specific segment has been retained for the mutual banks based on their unique qualities, in line with the sector regulations that distinguish and preserve the nature of cooperative banking.

The following tables show the main operational areas and the result of the individual business areas in which the Group operates.

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTERSEGMENT TRANSACTIONS	TOTAL
Financial assets	450,582	13,774,375	61,267	60,387,664	(4,766,786)	69,907,102
Due from banks	75,993	34,043,222	34,532	9,409,950	(42,006,696)	1,557,002
Due from customers	4,982,729	6,914,788	1,242,010	80,029,968	(2,300,943)	90,868,551
Funding from banks	4,651,618	41,606,518	1,298,389	29,386,642	(48,424,921)	28,518,246
Funding from customers	408,504	8,354,597	117,439	110,439,409	(204,202)	119,115,747
Securities and other financial liabilities	96,731	5,673,494	2,395	7,349,692	(3,340,010)	9,782,301

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTERSEGMENT TRANSACTIONS	TOTAL
Net interest income	130,678	231,667	55,641	3,294,432	(18,732)	3,693,686
Net fee and commission income	9,717	84,025	58,960	1,231,049	(45,400)	1,338,349
Other financial expense and income	(1,784)	22,594	(2,675)	17,980	35,630	71,744
Gross income	**138,610**	**338,285**	**111,926**	**4,543,461**	**(28,503)**	**5,103,779**
Net value adjustments	17,967	22,591	(3,585)	(515,682)	(71)	(478,780)
Net gains/(losses) from financial operations	**156,578**	**360,876**	**108,340**	**4,027,778**	**(28,574)**	**4,624,998**
Operating expenses	(79,993)	(327,533)	(49,578)	(2,576,255)	11,561	(3,021,798)
Other costs and revenues	(184)	424,618	-	(8,177)	(8,411)	407,846
Profit/(loss) before tax from continuing operations	**76,401**	**457,961**	**58,762**	**1,443,346**	**(25,424)**	**2,011,046**
Income tax expense from continuing operations	(23,640)	10,990	(19,123)	(187,639)	4,475	(214,937)
Profit/(loss) for the period	**52,761**	**468,950**	**39,640**	**1,255,708**	**(20,949)**	**1,796,109**
Profit/(loss) attributable to non-controlling interests	**-**	**9,084**	**(27)**	**-**	**-**	**9,057**
Profit/(loss) attributable to shareholders of the Parent Company	**52,761**	**459,867**	**39,666**	**1,255,708**	**(20,949)**	**1,787,052**

INSTITUTIONAL BUSINESS AREA

This area includes the companies that provide products and services directly to the affiliated banks and their customers. The wide range of solutions available includes financial services, payment systems, securities administration, credit collection services, Web services, facility management, real estate services, and IT and back-office services, as well as logistical, administrative and infrastructure support. The main Group companies engaged in this area are Iccrea Banca – which as Parent Company carries out the management, coordination and control activities provided for under applicable law and the Cohesion Contract – BCC Sistemi Informatici, BCC Solutions, Sinergia and other minor companies.

Balance sheet

€/thousands	INSTITUTIONAL									
	Iccrea Banca		BCC Sistemi Informatici		BCC Solutions		Sinergia		Other[12]	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Cash and cash equivalents	960,917	1,214,582	9,814	6,157	11,385	3,541	64,522	13,065	288,404	27,558
Financial assets measured at fair value through profit or loss	2,521,624	1,287,573							2,003	1,984
Financial assets measured at fair value through other comprehensive income	1,079,476	510,674	8	8	2	2	3	3	2,468	
Financial assets measured at amortized cost	51,073,505	48,971,725							10,749	3,079
a) due from banks	34,043,222	30,960,093								45
b) loans to customers	7,079,255	5,983,404								
c) securities	9,951,029	12,028,229							10,749	3,035
Hedging derivatives and value adjustments of macro-hedged financial assets	569,601	36,505								
Equity investments	1,568,623	998,822						135		
Property, plant and equipment	2,502	4,251	41,985	24,041	105,667	114,841	3,827	4,365	69,167	65,747
Intangible assets	536	822	124,931	127,008	128	193	3,978	3,279	1,047	1,393
Tax assets	67,077	68,924	3,221	3,480	535	320	1,544	1,421	4,981	5,026
Non-current assets and disposal groups held for sale	5,438	206,869								
Other assets	642,509	477,861	128,658	30,484	12,207	9,213	21,473	17,097	20,490	12,456
Total assets	**58,491,808**	**53,778,609**	**308,616**	**191,179**	**129,923**	**128,109**	**95,347**	**39,364**	**399,309**	**117,243**

€/thousands	INSTITUTIONAL									
	Iccrea Banca		BCC Sistemi Informatici		BCC Solutions		Sinergia		Other	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Financial liabilities measured at amortized cost	53,682,926	50,480,116	86,959	153	53,303	58,786	40,138	3,096	27,213	24,526
a) due to banks	41,593,508	39,337,080	76,021	-	39,830	42,248	38,903	1,109	25,665	22,413
b) due to customers	8,663,966	7,394,398	10,939	153	13,474	16,538	1,235	1,987	1,548	2,113
c) securities issued	3,425,452	3,748,638								
Financial liabilities held for trading	1,729,244	430,857								
Financial liabilities designated as at fair value	352,484	335,392								
Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-)	165,494	247,018								
Liabilities associated with disposal groups held for sale		182,098	238	563	498	129	83	176	2,603	1,773
Tax liabilities	3,304	1,650								
Other liabilities	403,602	354,896	105,972	76,996	12,491	9,336	28,421	22,246	14,933	14,350
Post-employment benefits	12,649	15,347	3,086	3,988	288	309	2,777	2,115	1,543	1,520
Provisions for risks and charges	40,147	42,121	823	848	59	79	2,794	1,409	3,707	3,062
Shareholders' equity	1,662,166	1,635,936	109,070	104,035	59,510	56,119	14,183	4,977	336,998	68,319
Profit/(loss) for the period (+/-)	439,793	53,178	2,468	4,597	3,775	3,352	6,951	5,345	12,312	3,692
Total liabilities and equity	**58,491,808**	**53,778,609**	**308,616**	**191,179**	**129,923**	**128,109**	**95,347**	**39,364**	**399,309**	**117,243**

[12] The item "Other" includes BCC Servizi Assicurativi, BCC Gestione Crediti, Beni Immobili, Sigest and Coopersystem.

Income statement

€/thousands	INSTITUTIONAL									
	Iccrea Banca		BCC Sistemi Informatici		BCC Solutions		Sinergia		Other	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net interest income	231,984	176,085	(54)	(39)	(1,288)	(1,372)	(56)	(84)	919	(186)
Net fee and commission income	72,100	92,741	(1)		(3)	(2)	(18)	(18)	12,534	12,326
Dividends	13,475	28,441								
Net gain/(loss) on trading	13,225	20,115	(14)	(2)						
Net gain/(loss) on hedging	(4,946)	108								
Net gain/(loss) on disposals	25,442	77,151								
Net gain/(loss) on financial assets and liabilities at FVTPL	(44,500)	(7,629)								
Gross income	**306,780**	**387,012**	**(69)**	**(41)**	**(1,291)**	**(1,374)**	**(74)**	**(102)**	**13,452**	**12,140**
Net writedowns/writebacks for credit risk	22,591	(67,638)								
Net gains/(losses) from financial operations	**329,371**	**319,374**	**(69)**	**(41)**	**(1,291)**	**(1,374)**	**(74)**	**(102)**	**13,452**	**12,140**
Administrative expenses	(462,180)	(434,591)	(242,269)	(212,961)	(32,589)	(27,780)	(88,615)	(72,789)	(21,524)	(18,038)
a) personnel expenses	(197,079)	(185,182)	(44,591)	(43,929)	(8,866)	(7,423)	(39,492)	(29,683)	(8,338)	(5,501)
b) other administrative expenses	(265,102)	(249,409)	(197,678)	(169,032)	(23,723)	(20,358)	(49,123)	(43,106)	(13,186)	(12,536)
Depreciation, amortization and provisions	(433)	(7,212)	(48,020)	(44,762)	(11,630)	(11,896)	(5,716)	(3,559)	(4,329)	(8,125)
Other operating expenses/income	114,170	179,829	293,980	264,506	50,537	45,743	104,253	84,179	27,914	19,770
Operating expenses	**(348,444)**	**(261,974)**	**3,691**	**6,783**	**6,317**	**6,067**	**9,922**	**7,830**	2,061	(6,392)
Profit/(loss) from equity investments	437,836	(27,116)								
Profit/(loss) from disposal of investments				1	(3)					
Net gain/(loss) from FV measurement of property, plant and equipment and intangible assets										
Impairment of goodwill										
Profit/(loss) before tax on continuing operations	**418,763**	**30,284**	**3,622**	**6,743**	**5,023**	**4,693**	**9,848**	**7,728**	**15,513**	**5,748**
Income tax expense from continuing operations	13,854	(1,876)	(1,154)	(2,147)	(1,248)	(1,341)	(2,897)	(2,384)	(3,201)	(2,056)
Profit/(loss) on discontinued operations after tax	7,176	24,770								
Profit/(loss) for the period	**439,793**	**53,178**	**2,468**	**4,597**	**3,775**	**3,352**	**6,951**	**5,345**	**12,312**	**3,692**

ICCREA BANCA S.P.A.

Within the Group, following the signing of the Cohesion Contract by the affiliated banks, Iccrea Banca performs the duties and responsibilities relating to strategic and operational oversight, coordination and control and interacts with supervisory and regulatory authorities. The traditional role of the second-level bank, which, in supporting the operations of the mutual banks, provides products, services and advisory services to help them meet the needs of their shareholders, customers, households and development of local communities, we have therefore added duties connected with the new responsibilities of our role and performing the activities need to ensure the consistency of the Group's strategic policy, operational governance, risk management, pursuit of industrial and operational synergies to achieve ever-improving levels of operational efficiency and effectiveness, and the development of production and distribution models.

Financial services

In the financial services area, the Parent Company provides the affiliated banks with investment services, including securities trading, access to over-the-counter (OTC) markets, order execution and transmission services both for transactions connected with the management of the proprietary portfolio and for the provision of investment services to their retail and/or professional customers. In this line of business, it provides guidance and investment strategies; ii) assumes the role of central counterparty in the liquidity management system; and iii) performs capital and money-market activities and hedging.

In an environment characterized by high inflation, a restrictive swing in monetary policy and an economy weakened by the Russia-Ukraine conflict, the above role takes on critical importance in the monitoring of the main risks (interest rate, credit, market, liquidity) and in pursuing the Group's overall profitability objectives.

With specific reference to liquidity management, in 2022 the funding activity of the Group banks remained mainly concentrated in the ECB's long-term auctions. The use of TLTRO auctions as a proportion of collateralized funding remained at levels above 80%.

The average liquidity held by the affiliated banks on the daily settlement account was about €3.6 billion. The average balance held on reserve requirement accounts €3.7 billion. The Group Treasury managed an average balance at the Bank of Italy of €2.3 billion. The closing balance at December 31, 2022 was about €0.62 billion.

In the second half of the year, the European Central Bank began the process of normalizing its key rates and reducing the monetary stimulus. Effectively emerging from the prolonged period of negative interest rates, the ECB decided major increases, which raised the key rate (MRO) from 0% to 2.50% in December 2022.

In the wake of the rate increase, the two-tier system for the remuneration of excess reserves (tiering) was suspended with the ECB decision of September 8, 2022. As a result, Iccrea Banca modified the Group contracts for the "ICBG Tiering Account", detaching it from central bank's remuneration mechanism for excess reserves. The repositioning of the affiliated banks under the new rules brought the balance of these accounts to €1.67 billion, an increase of around €70 million.

Within the broader ECMS project, in December, the Iccrea Banca Treasury, in concert with the Monetary Policy Department of the Bank of Italy, completed the migration to the Parent Company of the TLTRO operations of the 19 CBs that had direct access to monetary policy operations in order to ensure centralized and more efficient communication with the new system.

The Governing Council of the ECB also decided to amend the terms and conditions applied to TLTRO III operations starting from November 23, 2022 and to offer banks additional dates for voluntary early repayment. Iccrea Banca immediately began a repayment program (€1.5 billion in November and €1 billion in December), taking into consideration the orientation of the banks belonging to the Iccrea TLTRO Group and expectations for upcoming increases in key rates.

After the migration and early repayments of November and December 2022, the ICBG's total participation in TLTRO III auctions amounted to €26.55 billion at December 31, 2022.

With regard to forex operations, at December 31, 2022, 102 thousand contracts were negotiated, an increase compared with 2021 (+17%), with a total volume of about €7.9 billion, of which €4 billion in swap operations, €4.1 billion in spot transactions and €120 million in outright transactions. The trading activity also continued, transacting a total of €108 billion, mainly in the form of swaps.

Capital market funding operations included the following transactions carried out under the €3 billion EMTN program, with the main objective of replenishing the Banking Group's eligible MREL liabilities:

- the issue, effective June 15, 2022, of a Senior Non-Preferred bond (XS2491620865) in the amount of €54.5 million (fixed-to-floating, with a maturity of 4.75 years and early redemption possible after 3.75 years), which has been rated "B+" by Standard and Poor's and Fitch. The issue was placed with professional customers of the affiliated banks;
- the issue, effective September 20, 2022 of a Senior Preferred bond (XS2443527234) in the amount of €350 million (fixed-to-floating, with a maturity of 5 years and early redemption possible after 4 years), which has been rated "BB" by Standard and Poor's, "BB-" by Fitch and "BBH" by DBRS. The issue was placed with over 100 geographically diversified institutional investors.

Furthermore, as regards medium/long-term funding on the domestic retail market, on November 28, 2022 a Senior bond (IT0005518698) was

issued in the amount of €150 million (step-up, with a maturity of 5 years). 84 affiliated banks took part in the initiative as placement agents and almost all of the issue was placed with the retail customers of the banks themselves, with the aim of strengthening the Group's role by offering a security intended to meet the investment needs of such customers.

Other structural funding operations included the finalization of a long-term loan of €250 million from Cassa Depositi e Prestiti (CDP), of which €100 million disbursed. The initiative is intended to support access to credit for smaller Italian companies, increasing sustainable investment and generating a positive impact on the environment by guaranteeing new finance, over a time horizon of up to 18 years, to SMEs and mid-cap enterprises committed to investing in sectors such as the renewable energy generation, energy efficiency, the circular economy, sustainable mobility and the modernization of water networks. The operation is part of the broader collaboration between CDP and the Group launched in 2020 to promote joint initiatives to support Italian companies throughout the country. The agreement follows two loans of €250 million each intended to support companies operating in the agricultural and agro-industrial sectors and in the tourism industry. With this new agreement between CDP and the Group, the resources made available to SMEs and mid-caps in the last three years now total €750 million.

Finally, although smaller than the initiatives illustrated above, in December a €37.5 million medium/long-term loan was agreed with the EIB to be used in initiatives involving medium/long-term lending promoted by SMEs, mid-caps and other eligible entities operating in the public sector in the territory of the Emilia-Romagna Region. The loan is part of the "Italian Regions EU Blending Programme" initiative promoted by the EIB, which, in concert with regional development policies, enables the regions to assign resources in the form of funding on subsidized conditions to financial intermediaries selected for the disbursement of new loans to SMEs and mid-caps. The disbursement of the loan can be requested within 18 months of the agreement date, while the funds must be granted to the final recipients within 36 months of the agreement date.

At December 31, 2022, the value of outstanding Iccrea Banca bonds totaled €3.386 billion, with a weighted average residual maturity of 4.7 years.

With regard to Italian government securities, within market making operations on the Hi-MTF platform, 2022 saw the listing of 130 securities for a total volume handled of €1.7 billion. Trading continued on the MOT market of Borsa Italiana, with a decrease in volumes compared with the previous year (totaling €6.5 billion). Trading on MTS, BondVision and Bloomberg platforms reserved for institutional investors came to €35.8 billion. As part of market making operations for eurobonds, Iccrea Banca quoted 365 eurobonds on the Hi-Mtf market, 253 eurobonds on the EuroTLX market and 125 eurobonds on ExtraMOT and MOT. Total volumes traded on these markets came to about €1.2 billion.

With regard to Italian government securities, within market making operations on the Hi-MTF and EuroTLX platforms, 2022 saw the listing of 130 securities for a total volume handled of €1.7 billion. Trading continued on the MOT market of Borsa Italiana, with a decline in volumes compared with the same period of the previous year (totaling €6.5 billion). Trading on the MTS, BondVision and Bloomberg platforms reserved for institutional investors totaled €35.8 billion. As part of market making operations for eurobonds, Iccrea Banca quoted 365 eurobonds on the Hi-MTF market, 253 eurobonds on the EuroTLX market, and 125 eurobonds on ExtraMOT and MOT. Total volumes traded on these markets came to about €1.2 billion.

With regard to execution activities on national and foreign financial markets on behalf of the affiliated banks, 2022 was characterized by overall volumes in line with the same period of the previous year. With total transacted value of €15.9 billion, the Italian equity sector recorded a volume of €4.6 billion. Foreign equities recorded volumes of €690 million, a decrease of 51% compared with 2021. The reduction essentially reflected the strategic choices of customers, who have repositioned themselves towards the domestic market. Operations in the bond segment posted a transacted volume of €9.1 billion, an annual increase of 9%. The increase is mainly attributable to the rise in yields on the short end of the Italian government bond curve, which occurred in the last part of the year following the change in the ECB's monetary policy stance. In addition, financial instruments totaling €1.5 billion were placed, of which some €1 billion in Italian government securities.

In its operations in OTC derivatives, Iccrea Banca transacted a total nominal amount of about €13.6 billion, in line with 2021.

With regard to the operations of the affiliated banks, interest rate risk hedging transactions were carried out for the long-term loan portfolios in a nominal amount of about €850 million, significantly down on the volumes recorded in 2021. With regard to the management of the securities portfolio, the mutual banks entered into interest rate and inflation hedging transactions with a notional amount of about €1.7 billion, down about 26% compared with 2021. The affiliated banks also conducted cash flow hedge transactions in CCTs with a nominal amount of about €2.4 billion.

With regard to operations in the Parent Company's financial portfolio, and with a view to managing and mitigating financial risk, interest-rate and/or inflation derivatives were used for hedging purposes, with a total notional of about €2.7 billion, a decrease of 17% on the previous year.

At December 31 2022, the Parent Company's banking book amounted to about €9.34 billion, of which €8.31 billion (89% of the total) represented by Italian sovereign exposures, €0.48 billion in financial securities (5.14% of the total), €0.09 billion in corporate securities (1.0% of the total) and the remainder in equities and funds. Of the total Banking Book, 73% is hedged with derivatives positions with a total nominal value of €6.8 billion.

The financial portfolio of the Parent Company's banking book consists of investments held in accordance with the HTC business model – the Strategic Portfolio – with a value of about €7.6 billion with a residual life of 6.33 years (81.8% of the total, with a coverage ratio of 81.9%) and those held in the Tactical Portfolio in the amount of about €0.82 billion, with a residual life of 0.59 years (8.8% of the total, with a coverage ratio of 35.45%), as well as investments held in accordance with the HTCS business model for the remaining €0.88 billion, with a residual life of 2.96 years (9.6% of the total, with a coverage ratio of 29.70%).

Lending to firms

Lending activities include the services offered to corporate clients of the affiliated banks by the Parent Company's Corporate division (including through companies in the direct scope that operate in specific specialist areas, such as leasing and factoring*)*. These services include the structuring and disbursement of loans to support productive investments and working capital. In addition to specific lending activity, the range of services on offer also includes advisory services in support of international trade and internationalization for companies, as well consulting services for subsidy programs and interest rate risk management.

In 2022, lending operations saw the granting of new financing of €4,160 million.

Special mention should be made of agricultural lending, which in 2022 was characterized by a substantial increase in operating volumes compared with the previous year (+67% on 2021), thanks to the use of funding granted by Cassa Depositi e Prestiti (which involved approximately 65% of new lending). In addition, lending under the subsidized measure "Industry and District Contracts" (Fourth Call) continued with the completion of 32 transactions totaling €10.6 million. The strategic nature of the measure was confirmed, which will see Iccrea Banca acting as Lending Bank and Authorized Bank for the Fifth Call, to which €1.2 billion have been allocated under the NRRP.

The activity of the foreign sector also grew both in terms of lending (+116% compared with the previous year) and in advisory activity (+30% growth in commissions) for operations with SACE and Simest. New agreements will be formalized in 2023 to support the development of the internationalization of the mutual banks' client companies, working with SACE for commercial guarantees, with Simest and with Finest and new impetus will be given to the work of the Tunis Representative Office. Transactional activities with foreign counterparties (cross border payments, letters of credit and international guarantees) also grew similarly, despite the limitations imposed by the war, with the value of operations handled with non-EU countries growing by 10% on both the import and export sides.

Amont the specialized skills that enhance the Group's product range, advisory services for firms deserve mention. These activities have been focused on investments for the environmental transition, both in the renewable energy sector and in the circular economy, as well as in the field of public-private partnerships, where direct support continues for the creation of local infrastructures such as nursing homes, schools and sports facilities. Last but not least, another worthy line of operations regards the management of €50 million in funding co-financed by the EIB and the Sicily Region in support of companies affected by Covid-19.

Another sector of significant activity was subsidized lending, which was expanded with new initiatives designed to better assist customer companies in seeking support under the NRRP.

Among the main traditional subsidy programs:

- around 2,200 applications for Nuova Sabatini grants were approved, corresponding to around €470 million in investments, for which €35 million in equipment grants were disbursed by the Ministry of Enterprise and Made in Italy were recognized; to this must also be added Sabatini Friuli for *leasing only*, whose branch was closed for the first six months of the year;
- with regard to Industry Contracts, in 2022 104 applications for state-of-progress disbursements were handled for total investments of around €90 million (grants, subsidized loan, bank loans). In managing the Fourth Call (2019-2021), Iccrea Banca acted as the Authorized Bank for some 50% of the Industry Contracts approved, assisting the main companies and industry organizations.

In addition to these activities, other initiatives were launched to supplement the product range in response to the new preferential measures introduced with the NRRP. The most significant programs include:

- the launch of partnerships with consulting companies able to offer business customers the technical and administrative support necessary to access the main national and regional subsidy measures, such as:
  - an agreement signed in June 2022 with FINSERVICE, market leader in consulting services for subsidized finance, to offer customers of the mutual banks participating in the initiative (no fewer than 59 so far) support in participating in the main tenders;
  - a new framework agreement with BIT S.p.A. to provide consulting for a number of initiatives connected with Mission 2 of the NRRP;
  - the launch of a feasibility study for the creation of a market place to support the digital transition of client companies, with the provision of check-up services in the field of digitalization and qualified advisory support in various evolutionary issues.
- the introduction of a portal for monitoring all open tenders for subsidized finance and the eligibility criteria for submitting applications in order to match existing tenders and existing customers;
- an agreement with Cassa Depositi e Prestiti for access to the Tourism Revolving Fund (operational from March 1, 2023);
- the award of a contract for the management of €125 million in resources from the EIB tourism fund, financed with funds under the NRRP;
- the Bank's participation in the agreements of the Ministry of Agriculture and Cassa Depositi e Prestiti for the management of the contribution and financial subsidies to the Industry Contracts of the Firth Call, in order to consolidate its leading position in the management of the Fourth Call, which has been refinanced thanks to the NRRP.

Added to these measures are the initiatives aimed at supporting the Tourism and Environment sector based on the dedicated plafonds that benefit from the funding received from Cassa Depositi e Prestiti, amounting to a total of 750 million.

Payment systems

The digitalization of payments and the advent of innovative solutions offered to customers by non-bank operators have made it necessary to be more proactive in monitoring the evolution of the tools made available to the Group banks and customers to support their collection and payment operations.

In this context, Iccrea Banca continued its major efforts to maintain existing services and develop new services for to the Group banks to help them cope with the COVID emergency, ensure compliance with the evolving national and international regulatory context and expand initiatives to facilitate the acceleration of the digitalization of payment services.

In quantitative terms, the first half of 2022 registered higher volumes than the same period of 2021 (+14.6% in transactions handled), confirming the overall growth trend in the sector. This reflected the greater use of digital payment services (ordinary and instantaneous SEPA credit transfers, direct debit and PagoPA transactions), which more than offset the contraction registered by traditional paper-based products (checks, cashier's checks, bills, etc.).

The main collections and payments initiatives implemented in the first half of 2022 included the following:

- the reorganization of contracts with cash management companies, with the launch of a new operating model for coins;
- the operational activation of the new "smart cashier" service for the large retailer customers of the mutual banks;
- renewal of the contract with INPS for the payment of pension benefits to the customers of the mutual banks;
- the start of testing for the migration of Target 2 and Swift operations to the new technical rules defined by the ECB (T2 Consolidation) and Swift (CBPR +) scheduled for November 2022;
- the completion of the activation of BCC Pay S.p.A. on Iccrea intermediation services for the settlement of transactions and commissions with customers;
- the migration to the new continuous gross settlement system (CGS) of the pan-European platform that manages the SEPA instruments (STEP2 by Eba Clearing).
- the start of the PagoPA direct connection project for the rationalization of costs and the development of new functions;
- the activation of additional affiliated banks in the SEPA instant credit transfer service, partly with a view to the provisions of the draft European Regulation, which will determine its equivalence to ordinary SEPA credit transfers.

Electronic money

Until the exit from the Group of BCC Pay, the company selected to leverage the e-money business and since April 1, 2022, the operator of issuing and acquiring services, work continued on the development of the electronic money business in order to strengthen its range of products and services in line with the strategic policies set by the Group. The Group's main commercial focus was concentrated on the launch of issuing and acquiring products to enhance the CartaBCC and CartaBCC POS range.

In particular, on the acquiring front, from June 1 major support was provided for the distribution of advanced terminals with the launch of a new initiative (Summer Smart POS Connects) for the placement of the SmartPOS Connect, which in the first month of the launch saw the placement of 2,820 new Smar POS terminals, generating a volume five times greater than the previous month.

As in 2021, investment continued in 2022, with commercial initiatives to support small businesses through:

- the offer of digital POS (Smart POS) at no charge for 6 months;
- the provision of support for safe remote sales, through the offer of PAYWay (virtual POS), PayWay Mail and Mobile POS services with zero fees for 6 months;
- the launch of new value-added services such as TAX Free (a service that allows merchants to offer customers residing outside the European Union to obtain a VAT refund) in order to enhance the product offering for the tourism sector.

In support of the issuing sector, June saw the presentation of the Debit Business card, with the involvement of all the mutual banks through the inclusion of the card in the card product catalogue.

The progressive easing of restrictive measures has obviously had a positive impact on transaction metrics for ATM issuing and acquiring.

As discussed more completely below, in the broader context of the strategic reorganization designed to leverage the e-money business, on August 3, 2022 Iccrea Banca and FSI finalized a strategic partnership aimed at further developing BCC Pay as a fintech operation. The transaction involved the investment of FSI in BCC Pay with the acquisition through the vehicle PAY Holding S.p.A. of 60% of the company's capital, of which Iccrea Banca - again acting through the vehicle PAY Holding S.p.A. – acquired the remaining 40%. In the context of the overall strategic repositioning in the sector, contracts and long-term exclusive distribution agreements were also signed for BCC Pay products and services for the Group. For further details, please see the dedicated discussion in the section "Developments in Parent Company operations".

BCC SISTEMI INFORMATICI S.P.A.

The information technology segment of the Group in 2022 confirmed its engagement in projects: i) to ensure compliance with operational and legislative developments; ii) involving the evolution of system architecture, functionality, digitalization and innovation (e.g. digital banking and the customer relationship); iii) related to the management of core processes; iv) related to the ongoing convergence of the affiliated banks using technical-service providers other than BCC SI with the proprietary structure; and v) regarding management of merger processes.

RETAIL BUSINESS AREA

Balance sheet

€/thousands	RETAIL							
	Mutual banks		BCC CreditoConsumo		BCC R&P		Banca Sviluppo	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Cash and cash equivalents	4,803,977	5,086,896	136,524	11,289	25,933	43,046	8,738	40,685
Financial assets measured at fair value through profit or loss	1,387,519	1,508,746	-	-	6,015	6,254	139	188
Financial assets measured at fair value through other comprehensive income	8,641,697	8,652,210	-	-	3	3	594	909
Financial assets measured at amortized cost	138,590,069	143,704,309	1,124,232	1,064,608	41,077	46,554	165,753	161,044
a) due from banks	9,417,514	15,078,970	5	6	43	7	34,484	2,518
b) loans to customers	80,029,968	78,397,053	1,124,227	1,064,602	41,034	46,547	76,752	97,150
c) securities	49,142,586	50,228,287	-	-	-	-	54,517	61,377
Hedging derivatives and value adjustments of macro-hedged financial assets	439,618	130,058	-	-	-	-	-	-
Equity investments	35,780	35,829	-	-	-	-	-	-
Property, plant and equipment	1,891,362	1,946,289	32	23	4,144	4,367	28,780	29,146
Intangible assets	13,989	19,689	1,117	1,536	4,210	3,327	672	672
Tax assets	1,388,628	1,524,960	6,345	7,073	1,229	1,251	42,536	43,779
Non-current assets and disposal groups held for sale	150,946	11,394	-	-	-	-	-	12,642
Other assets	4,755,745	2,115,178	122,806	108,835	39,480	4,814	25,898	29,717
Total assets	**162,099,329**	**164,735,557**	**1,391,056**	**1,193,364**	**122,090**	**109,616**	**273,108**	**318,783**

€/thousands	RETAIL							
	Mutual banks		BCC CreditoConsumo		BCC R&P		Banca Sviluppo	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Financial liabilities measured at amortized cost	147,024,940	150,455,216	1,247,249	1,083,392	37,432	38,218	133,547	136,095
a) due to banks	29,414,181	32,123,985	1,234,600	1,070,869	37,375	38,126	26,417	32,126
b) due to customers	110,439,409	109,399,432	12,648	12,523	57	92	104,735	101,650
c) securities issued	7,171,350	8,931,800	-	-	-	-	2,395	2,319
Financial liabilities held for trading	339	1,188	-	-	-	-	-	-
Financial liabilities designated as at fair value	-	256	-	-	-	-	-	-
Hedging derivatives and value adjustments of macro-hedged financial liabilities (+/-)	185,381	318,963	-	-	-	-	-	-
Tax liabilities	67,537	37,409	419	509	-	914	425	669
Liabilities associated with disposal groups held for sale	247,896	-	-	-	-	-	-	34,934
Other liabilities	2,640,449	2,869,371	34,188	26,857	19,808	19,980	11,546	14,597
Post-employment benefits	203,096	251,221	211	249	227	273	87	294
Provisions for risks and charges	443,200	423,752	172	102	1,389	3,702	5,716	6,810
Equity	10,030,450	9,989,214	82,314	62,691	46,553	25,859	125,368	128,007
Profit/(loss) for the period (+/-)	1,256,041	388,968	26,503	19,564	16,680	20,669	(3,580)	(2,623)
Total liabilities and equity	**162,099,329**	**164,735,557**	**1,391,056**	**1,193,364**	**122,090**	**109,616**	**273,108**	**318,783**

€/thousands	Mutual banks		BCC CreditoConsumo		BCC R&P		Banca Sviluppo	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net interest income	3,294,448	2,380,369	54,288	47,379	275	-	1,041	7,232
Net fee and commission income	1,231,030	1,161,406	8,919	4,451	49,856	56,255	190	687
Dividends	11,309	9,088	-	-	11	9	133	43
Net gain/(loss) on trading activities	12,376	9,529	-	-	-		1	1
Net gain/(loss) on hedging	(1,874)	(1,960)	-	-	-		-	-
Net gain/(loss) on disposals	28,277	350,684	(2,489)	-	-		(27)	(562)
Net gain/(loss) on assets and liabilities at FVTPL	(36,890)	3,873	-		(263)	(46)	(42)	118
Gross income	**4,538,676**	**3,912,990**	**60,718**	**51,829**	**49,880**	**56,218**	**1,296**	**7,518**
Net writedowns/writebacks for credit risk	(515,681)	(977,318)	(1,509)	(5,346)	-	-	(2,076)	(4,809)
Net gains/(losses) from financial operations	**4,022,995**	**2,935,672**	**59,208**	**46,484**	**49,880**	**56,218**	**(780)**	**2,708**
Administrative expenses	(2,721,935)	(2,612,763)	(21,579)	(18,537)	(27,181)	(25,789)	(5,051)	(8,263)
a) personnel expenses	(1,475,169)	(1,401,892)	(5,143)	(4,990)	(5,515)	(5,385)	(1,680)	(2,971)
b) other administrative expenses	(1,246,766)	(1,210,871)	(16,436)	(13,546)	(21,665)	(20,405)	(3,371)	(5,292)
Depreciation, amortization and provisions	(198,241)	(230,537)	(579)	(580)	369	(1,097)	116	(538)
Other operating expenses/income	344,215	293,793	2,256	1,687	752	218	1,316	1,984
Operating expenses	**(2,575,961)**	**(2,549,506)**	**(19,902)**	**(17,430)**	**(26,060)**	**(26,669)**	**(3,620)**	**(6,817)**
Profit/(loss) from equity investments	-	(2,786)	-	-	-	-		-
Profit/(loss) from disposal of investments	(1,851)	52	-	-	-	-	-	-
Net gain/(loss) from FV measurement of property, plant and equipment and intangible assets	-	-	-	-	-	-		
Impairment of goodwill	(1,523)	(1,810)	-	-	-	-	-	-
Profit/(loss) before tax on continuing operations	**1,443,660**	**381,621**	**39,306**	**29,054**	**23,819**	**29,550**	**(4,400)**	**(4,109)**
Income tax expense from continuing operations	(187,639)	7,346	(12,804)	(9,490)	(7,139)	(8,880)	820	1,487
Profit/(loss) on discontinued operations after tax	20	-						
Profit/(loss) for the period	**1,256,041**	**388,968**	**26,503**	**19,564**	**16,680**	**20,669**	**(3,580)**	**(2,623)**

AFFILIATED BANKS

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

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

Balance sheet

The structure of the mutual banks' balance sheets reflects the nature of local banking, characterized by a high level of funding from customers stemming from the historic ties that the mutual banks have with their local areas, with a prevalence of loans to households and small firms and a fairly low ratio of loans to deposits, as well as the investment of excess liquidity primarily in government securities.

What follows is a brief description of the main balance sheet and income statement items of the 118 mutual banks belonging to the Iccrea Cooperative Banking Group as at December 31, 2022, presented in aggregate form and gross of intercompany items.

Total assets at December 31, 2022 amounted to more than €162 billion, a decrease of €2.6 billion compared with December 31, 2021.

Financial assets measured at amortized cost decreased by €5.1 billion to €138.6 billion and consist of:

- loans to customers totaling €80 billion (+€1.6 billion compared with the end of 2021), mainly represented by loans to customers (€66.8 billion), current accounts (€6.3 billion), other financing (€5.8 billion) and transactions involving credit cards, personal loans and loans repaid by automatic deductions from wages (€1.1 billion);
- amounts due from banks of €9.4 billion, a decrease of €5.6 billion compared with 2021 reflecting the partial repayment of TLTRO funding during the period. The item consists of time deposits of (€9.2 billion) and other financing (€0.2 billion);
- debt securities amounting to about €49 billion, represented by €48 billion in securities with customers (largely Italian government securities) and securities issued by banks in the amount of about €1 billion (essentially unchanged on 2021).

The characteristics of the mutual banks' business model is reflected primarily by the type of customers served. Total loans to mutual bank customers were made largely to consumer households and SMEs (43.1% and 46.1% of total lending, respectively).

The aggregate NPL ratio stood at 4.3%, while the coverage ratio for impaired loans was 66.7% (61.3% at December 31, 2021). The mutual banking mission means that the mutual banks supported their local economies, even during periods of persistent crisis, so that, despite the credit crunch that has occurred in recent years, the mutual banks have continued to provide loans to households and SMEs; the default rates in these segments were nonetheless smaller (NPL ratios of 2.8% and 5.4%, respectively) thanks to our better understanding of these types of customers. The share of loans to larger firms was more limited (9.8% of the total) and had a higher NPL ratio.

Counterparties	Ratio to total loans and advances	Performing loans and advances		Non-performing loans and advances		
		Ratio to total loans by counterparty	Percentage of total performing loans of the affiliated banks	Ratio to total loans by counterparty	Ratio to total NPLs of the affiliated banks	Coverage NPL
Ordinary customers	99.0%	95.0%	98.9%	5.0%	100.0%	66.7%
Consumer households	43.1%	97.2%	39.6%	2.8%	24.6%	58.2%
Small and medium-sized enterprises	46.1%	94.6%	45.2%	5.4%	57.5%	66.9%
Producer households	8.2%	94.4%	8.1%	5.6%	10.5%	61.8%
Micro-enterprises, institutions and associations	8.4%	94.1%	8.3%	5.9%	11.4%	68.9%
Other SMEs	29.5%	94.7%	29.2%	5.3%	35.7%	67.7%
Large corporate	9.8%	92.6%	13.1%	7.4%	17.9%	82.9%
Government entities	0.9%	100.0%	1.0%	0.0%	0.0%	60.6%
Central banks, credit institutions and other financial companies	0.1%	97.9%	0.1%	2.1%	0.0%	97.2%
Total	**100.0%**	**95.7%**	**100.0%**	**4.3%**	**100.0%**	**66.7%**

Financial investments totaled about €56.1 billion[13] and consist almost entirely of government securities (especially those issued by the Italian State). Of these, 88% are allocated to the portfolio measured at amortized cost (Hold-to-Collect, HTC, business model) in line with the traditional business model that characterizes these banks, in order to take advantage of the coupon yield and at the same time to not expose its funds to risks associated with volatility. Consistent with the mutualistic aim, the stock of securities allocated to the accounting portfolio measured at fair value through profit or loss is very small.

The portfolio of financial assets measured at fair value through other comprehensive income, represented almost entirely by Italian government securities, amounted to about €8.6 billion, in line with the previous year. Financial assets measured at fair value through profit or loss amounted to more than €1.4 billion, in line with 2021, and are almost entirely represented by financial assets mandatorily measured at fair value (which also include receivables in respect of the Parent Company for the Ex-Ante contribution to the Guarantee Scheme) and assets held for trading in the amount of €16 million.

Finally, other relevant items include property, plant and equipment - which amounted to about €1.9 billion and mainly includes land and buildings for use in operations (€1.7 billion) and other capital equipment - while intangible assets amounted to just about €14 million, of which about €3.5 million in goodwill paid on the acquisition of bank branches before the formation of the ICBG.

Strong ties with the territory are also reflected in the composition of liabilities, with a large proportion of direct funding from customers, especially current accounts and demand deposits, and to a lesser extent bonds and certificates of deposit.

Accordingly, liabilities largely consist of financial liabilities measured at amortized cost, which amounted to €147 billion, down about €3.4 billion on the previous year. More specifically:

- amounts due to customers increased by €1 billion compared with the end of 2021 to €110.4 billion as a result of an increase in current accounts and demand deposits (€105.5 billion), fixed-term deposits (€3.6 billion) and other financing (€1.3 billion);
- amounts due to banks came to €29.4 billion, mainly attributable to loans obtained through T-LTRO operations and refinancing transactions with the Parent Company. The decrease of €2.7 billion is attributable to deleveraging initiatives undertaken in 2022 (partial repayment of TLTRO funding);
- securities issued came to €7.2 billion, a decline of €1.8 billion due to maturing securities. Of the total, €3.4 billion are represented by bonds and €3.8 billion by certificates of deposit.

The aggregate equity of the mutual banks amounted to €11.3 billion and consists of €1 billion of share capital, with the rest made up of reserves.

Income statement

On aggregate, the Group's affiliated banks closed 2022 with pre-tax profit of €1.3 billion, up €867 million on the previous year.

More specifically, gross income increased by €625.7 million, to €4.5 billion, as a result of:

- an increase in net interest income (+€914.1 million), due, in large part, to the increase in interest income on securities (+€858 million, thanks in part to the stronger performance of BTPi holdings as a result of the rise in inflation) and the increase in interest income on loans to customers (+€228 million), partially offset by an increase in negative differences on hedging derivatives (-€161 million), lower interest income on funding from customers and on liabilities issued (totaling -€6 million);
- an increase in net fee and commission income of €69.6 million;
- a decrease in the overall performance of finance operations (-€358 million), attributable to a decrease in sales of securities generating capital gains in 2022.

In 2022, writedowns for credit risk were amounted to €515.7 million, a decrease compared with the previous year reflecting both the evolution of the models for measuring the credit risk parameters for performing positions and the robust monitoring of non-performing positions implemented by the Group since its establishment.

Operating expenses amounted to around €2.6 billion, substantially in line with the first six months of the previous year.

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

BCC CREDITOCONSUMO S.P.A.

Balance sheet

The company distributes consumer credit products through the mutual-bank branch network and the internet channel.

At the end of December 2022, financial assets measured at amortized cost amounted to €1,124.2 million and consisted almost entirely of exposures to customers for consumer credit products.

The table below provides a breakdown of gross loans to customers for consumer credit at June 30, 2022, by credit quality, including an indication of the absolute and percentage coverage levels, which represents the prudence adopted in the measurement of credit, in accordance with the models and guidance provided by the Parent Company.

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Classification	Gross amount €/thousands	Writedowns €/thousands	% coverage
Performing	1,118,928	29,292	2.55%
Impaired past due	3,901	5,356	57.86%
Unlikely to pay	971	7,367	88.36%
Bad loans	382	21,168	98.23%
Total	1,124,182	63,183	5.32%
average % coverage of impaired positions			86.58%

Income statement

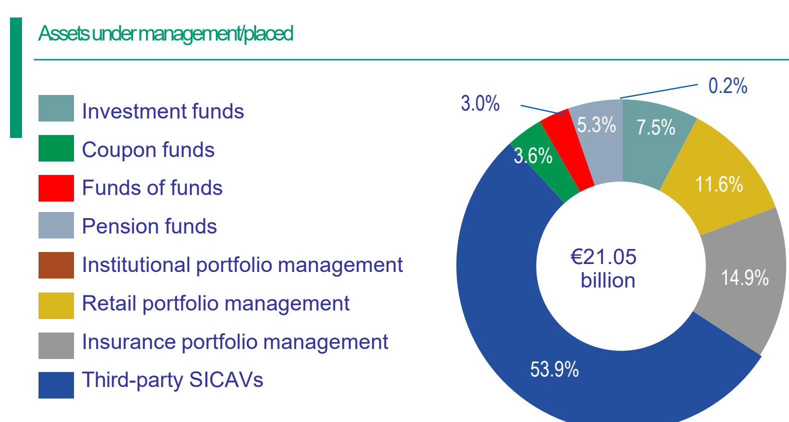
The company closed the year with net profit of €26.5 million (€19.6 million in 2021). Revenues are represented by interest and similar income in the amount of €65.9 million, fee and commission income from insurance operations and the placement of third-party "salary-backed loan" products in the amount of €21.1 million and other operating income/expenses amounting to €2.3 million.

The costs include €11.6 million in interest expense on current accounts and loans, €12.2 million in fees and commissions payable to participating mutual banks, €5.1 million in personnel expenses, €16.4 million in other administrative expenses, €1.5 million for the cost of risk, and €0.6 million in depreciation/amortization and other costs. Income taxes for the year at December 31, 2022 totaled €12.8 million.

BCC RISPARMIO&PREVIDENZA SGRPA

At December 31, 2022, total assets managed or placed by BCC Risparmio & Previdenza amounted to over €21 billion, a decrease of €1.4 billion compared with 2021, the result of an increase in net funding of €1.8 billion and adverse market developments with a negative impact of €3.2 billion.

The chart below shows the weight of each investment product out of total assets under management as at December 31, 2022.



Net funding from investment funds and funds of funds, excluding the impact of mergers during the year, was a positive €36.5 million. Total assets under management at year end came to €2.2 billion. The number of supplementary pension contracts rose to 193,449, an increase of 5.6% on 2021 (when the number of contracts was 183,233).

With regard to supplementary pension funds, the company confirmed the positive trend of 2021, with net funding of €120 million and assets under management of €1.1 billion. The number of investors in pension funds reached 158,465 (+11% compared with 2021).

With regard to retail, institutional and insurance portfolio management, net funding was also positive at a total of €549 million (of which €261 million in the retail segment, -€2 million in the institutional segment and €290 million in the insurance segment). Total assets under management at year end came to €5.6 billion. The placement of new lines of retail asset management related to the project “Investiper GP” generated a total of 7,707 new accounts, to reach a total of about 50,874 accounts at year end.

Total assets placed by the end of the year amounted to €11.3 billion and posted net funding of €1.2 billion.

Income statement

The year 2022 closed with pre-tax profit of €23.8 million (and net profit of about €16.7 million), a decrease of 19.39% on the previous year (about €5.7 million). The decrease is mainly attributable to lower performance fees in 2022 (€0.6 million from €15.3 million in 2021), only partly offset by the reversal of the reserve for the guaranteed segment of the pension fund (€2.2 million in 2022, compared with €0.2 million in 2021).

Operating expenses came to €26 million, a slight decrease compared with the previous year (-2.28%). This reflected an increase in personnel expenses following contract adjustments, other administrative expenses and depreciation and amortization (for a total increase of €2 million on 2021). The increases are more than offset by the reversal of the reserve for the guaranteed segment of the pension fund (€2.2 million in 2022).

BANCA SVILUPPO S.P.A.

In line with established strategy, Banca Sviluppo continued to pursue the disposal of its branch network, a process slowed in its final stages by the need to wait for the IT migration to BCCSI of one of the mutual banks acquiring the last remaining branches of the bank. In March 2022, the sale of the two aforementioned branches was completed, which enabled the completion of the multi-year plan for the sale of Banca Sviluppo branches to local mutual banks.

At December 31, 2022, the bank operated exclusively through the Lucrezia Romana branch, continuing to provide banking services to the staff of the Parent company and the Group companies within the direct scope.

Income statement

The period ended December 31, 2022, closed with a pre-tax loss of around €4.4 million and a net loss of about €3.6 million. Generally speaking, performance in the year reflected the contraction in volumes connected with the disposal of the branch network. Another significant factor was the adjustment of the residual portfolio of NPLs.

CORPORATE BUSINESS AREA

The corporate business area is composed of the Iccrea Banca S.p.A. subsidiaries that offer solutions to small and medium-sized enterprises and to local government entities that are customers of the affiliated mutual banks. These companies provide a wide range of products and services to meet all customer needs, even the most advanced ordinary lending and special corporate finance products, medium/long-term lending and international services, leasing, factoring, rental and other advanced consulting. The Group companies that operate in this area are: Iccrea BancaImpresa, BCC Factoring, BCC Lease, and Banca Mediocredito del Friuli Venezia Giulia.

Balance sheet

€/thousands	CORPORATE							
	Iccrea BancaImpresa		BCC Lease		BCC Factoring		MCFVG	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Cash and cash equivalents	6,284	4,493	74	111	4,102	4,870	78,156	88,132
Financial assets measured at fair value through profit or loss	113,661	32,099					22,902	25,150
Financial assets measured at fair value through other comprehensive income	283	283			11	11	61,732	81,667
Financial assets measured at amortized cost	3,585,681	3,864,836	488,268	500,788	636,721	570,519	606,974	738,495
a) due from banks	15,121	16,338	1,252	1,662	89	136	60,190	79,449
b) loans to customers	3,529,575	3,804,642	487,016	499,126	636,631	570,382	336,618	463,933
c) securities	40,984	43,856					210,166	195,113
Hedging derivatives and value adjustments of macro-hedged financial assets							890	
Equity investments		25,750						
Property, plant and equipment	4,808	9,152	192	106	19	59	8,371	9,966
Intangible assets			344	244	878	61	166	340
Tax assets	159,385	172,647	3,602	4,151	5,538	6,611	42,777	44,272
Non-current assets and disposal groups held for sale	26,416						2,244	
Other assets	47,986	83,871	11,015	11,355	14,137	6,933	5,907	7,632
Total assets	**3,944,504**	**4,193,132**	**503,496**	**516,754**	**661,406**	**589,063**	**830,118**	**995,656**

€/thousands	CORPORATE							
	Iccrea BancaImpresa		BCC Lease		BCC Factoring		MCFVG	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Financial liabilities measured at amortized cost	3,309,182	3,737,911	430,498	458,600	618,248	556,204	707,030	853,507
a) due to banks	3,276,107	3,656,326	425,165	454,053	612,989	552,148	337,358	351,311
b) due to customers	33,075	81,585	5,332	4,547	5,259	4,056	364,837	476,718
c) securities issued							4,835	25,479
Financial liabilities held for trading	91,715	20,380						
Financial liabilities designated as at fair value								
Hedging derivatives and value adjustments of macro-hedged financial liabilities								
Tax liabilities			116	553	82		75	78
Liabilities associated with assets held for sale								
Other liabilities	81,016	79,958	19,804	15,735	22,038	13,126	16,577	43,610
Post-employment benefits	1,136	1,423	119	166	296	397	205	227
Provisions for risks and charges	30,665	30,868	318	216	993	1,135	13,560	4,558
Equity	392,690	362,907	41,510	30,726	18,252	19,071	90,681	96,680
Profit/(loss) for the period (+/-)	38,100	(40,315)	11,131	10,758	1,499	(868)	1,990	(3,004)
Total liabilities	**3,944,504**	**4,193,132**	**503,496**	**516,754**	**661,406**	**589,063**	**830,118**	**995,656**

Income statement

€/thousands	CORPORATE							
	Iccrea BancaImpresa		BCC Lease		BCC Factoring		MCFVG	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Net interest income	82,960	93,253	24,258	23,815	5,307	3,876	17,509	11,178
Net fee and commission income	1,138	709	(337)	(436)	3,771	3,559	5,696	6,004
Dividends		8,224						
Net gain/(loss) on trading activities	3,438	3,690			7	21	80	343
Net gain/(loss) on hedging		417					(119)	
Net gain/(loss) on disposals or repurchases	(4,595)	3,049					1,124	2,064
Net gain/(loss) on financial assets and liabilities at FVTPL	267	(642)					(1,986)	(232)
Gross income	**83,209**	**108,700**	**23,921**	**23,379**	**9,085**	**7,456**	**22,303**	**19,357**
Net writedowns/writebacks for credit risk	12,689	(118,952)	(3,255)	(4,392)	652	(1,694)	7,882	(13,455)
Net income/(loss) from financial operations	**95,897**	**(10,253)**	**20,666**	**18,988**	**9,737**	**5,763**	**30,185**	**5,902**
Administrative expenses	(36,018)	(38,788)	(11,208)	(10,500)	(7,288)	(7,510)	(12,528)	(12,974)
a) personnel expenses	(11,103)	(11,155)	(3,156)	(2,989)	(3,627)	(3,439)	(5,774)	(5,353)
b) other administrative expenses	(24,915)	(27,634)	(8,053)	(7,511)	(3,661)	(4,071)	(6,754)	(7,621)
Depreciation, amortization and provisions	(1,877)	(1,410)	(272)	(241)	(314)	551	(13,682)	106
Other operating expenses/income	(1,447)	(3,177)	6,322	5,984	82	156	(1,826)	859
Operating expenses	**(39,342)**	**(43,375)**	**(5,158)**	**(4,756)**	**(7,520)**	**(6,803)**	**(28,037)**	**(12,008)**
Profit/(loss) from equity investments								
Profit/(loss) from disposal of investments							(184)	87
Net gain/(loss) from FV measurement of property, plant, equipment and intangible assets								
Goodwill impairment								
Profit/(loss) before tax on continuing operations	**56,555**	**(53,628)**	**15,508**	**14,231**	**2,217**	**(1,039)**	**1,964**	**(6,020)**
Income tax expense from continuing operations	(18,455)	13,313	(4,377)	(3,474)	(718)	172	27	3,016
Profit/(loss) after tax on discontinued operations								
Net profit/(loss) for the period	**38,100**	**(40,315)**	**11,131**	**10,758**	**1,499**	**(868)**	**1,990**	**(3,004)**

ICCREA BANCAIMPRESA S.P.A.

Following the reorganization of the Group's Corporate area, as of 1 January 2021, company operations are focused exclusively on finance leasing.

Balance sheet

New lending amounted to €680 million with the execution of 3,145 contracts, an overall decrease of around 2% compared with 2021. The decrease is attributable to developments in the last quarter, during which the uncertainties of the macroeconomic environment affected the entire lease industry. The drop in volumes and contracts compared with 2021 (-2% and -8% respectively) was accompanied by an improvement in both margins and the quality of the new positions in the portfolio.

The commercial performance for 2022 confirms the focus of the portfolio on the equipment segment. Although compared with 2021 equipment leases decreased by 5.7% in terms of volumes and 8.6% in terms of the number of contracts, the segment still represented over 66% of new business. Heavy and light vehicle leasing decreased by 8% and 35%, representing 12% of all new leases. There was also a 35.8% increase in public leasing, which represents 3.9% of new lease production. As regards property leasing, new leases for the year included around €33 million in changes to existing contracts, compared with around €17 million the previous year.

Product line	Lease volumes							
	31/12/22		31/12/21		% Comp. 2022		Annual change	
	Number	Amount	Number	Amount	% Num	% Val	% Num	% Val
Light commercial vehicle leasing	138	8,136	145	12,597	4.4%	1.2%	-4.8%	-35.4%
Heavy vehicle leasing	594	74,044	670	80,468	18.9%	10.9%	-11.3%	-8.0%
Equipment	2,233	453,904	2,442	481,155	71.0%	66.8%	-8.6%	-5.7%
Air and nautical	5	2,283	7	5,314	0.2%	0.3%	-28.6%	-57.0%
Public	8	26,621	5	19,606	0.3%	3.9%	60.0%	35.8%
Property	167	114,582	153	94,194	5.3%	16.9%	9.2%	21.6%
Total leasing	**3,145**	**679,570**	**3,422**	**693,334**	**100%**	**100%**	**98.1%**	**-2.0%**

Of the bank's lending portfolio, totaling €3.6 billion, 90% has gone to finance non-financial companies, as indicated in the following table.

	31/12/2022	31/12/2021	% change
1. Debt securities	**40,984**	**43,856**	**-6.5%**
b) Other financial companies	40,984	43,856	-6.5%
2. Financing to:	**3,529,575**	**3,804,642**	**-7.2%**
a) Government entities	156,675	151,192	3.6%
b) Other financial companies	11,663	16,091	-27.5%
of which: insurance undertakings	494	877	-43.7%
c) Non-financial companies	3,220,143	3,467,805	-7.1%
d) Households	141,094	169,554	-16.8%
Total	**3,570,559**	**3,848,498**	**-7.2%**

With regard to the impaired portfolio, de-risking continues – both through the sale of NPLs and increasing coverage levels in application of particularly prudent measurement policies and approaches and in relation to the application of probabilistic disposal scenarios to a portion of the impaired portfolio. During the year, non-performing loans were sold for a total gross book value (GBV) of €103 million through participation in the GACS securitization carried out by the Group in 2022 (GACS 6) and the transfer, against the acquisition of units, to the newly established multi-borrower and multi-target fund "Illimity Real Estate Credit Fund", whose main purpose in investment in receivables classified as UTP; an additional transaction with Illimity SGR involved the sale and writeoff of a non-performing loan portfolio.

At December 31, 2022, the coverage ratio for non-performing loans was 74.7%, an increase on the 69.9% registered at the end of 2021. The gross NPL ratio was 9.05% (11.9% at December 31, 2021).

Income statement

The Bank closed 2022 with a pre-tax profit of €56.6 million (compared with a loss of €53.6 million in 2021). Net profit for the period amounted to €38.1 million (€40.3 million in 2021).

More specifically, interest income amounted to €115 million (€109 million the previous year, an increase of 3.9% The increase in interest income was more than offset by an increase of more than 100% in interest expense, which amounted to €32.5 million (compared with €15 million the previous year). The developments in interest expense were strongly influenced by the trend in interest rates, which rose significantly during the second half of 2022.

Net fee and commission income came to €1.1 million, an increase of €0.7 million compared with 2021.

During the year, some €4.6 million in losses were recorded on the sale of financial assets measured at amortized cost, attributable to the sale of non-performing loan portfolios carried out during the year. The previous year, the corresponding item showed a gain of €3 million.

Administrative expenses amounted to €36 million, a decrease of approximately €2.8 million, mainly due to the decrease in “Other administrative expenses”, which went from the €27.6 million recorded in 2021 to the €24.9 million posted in 2022.

Net writedowns and writebacks for credit risk shows net writebacks of €11.8 million (compared with net writedowns of €118 million in 2021). This result, in addition to reflecting the significant provisions recognized in 2021, was significantly influenced by the improvement of the classification of the performing portfolio the first and second stages, a consequence on the one hand of the improvement in the ratings of the portfolio and on the other of the non-deterioration of loans that, having benefited in previous periods from payment suspensions, exiting the monitoring period during the year with an improvement in creditworthiness. The careful risk assessment policy conducted in the last few years has also affected the classification dynamics described above.

Provisions for risks and charges amounted to €1.2 million with net reversals of €2.5 million the previous year. Other operating income and expense showed net expenses of €1.4 million, a decrease compared with the end of December 2021 (-€3.2 million).

BCC LEASE S.P.A.

This company operates in small-ticket leasing segments. Developments in 2022 showed a slight contraction in new business (19,501 contracts agreed with a total value of €254.2 million, compared with 21,878 and €259.3 million in 2021 – a decrease of 2.1%). The breakdown of new production in the period is given in the following table, with comparative figures for the previous year:

New contracts	31/12/2022		31/12/2021		% change	
	No.	Amounts €/thousands	No.	Amount €/thousands	No.	Amount
Equipment vendor						
Operating leases	6,113	51,799	8,381	64,850	-27.1%	-20.1%
Equipment leasing	5,592	94,453	4,809	78,143	16.3%	20.9%
Special-purpose financing	6,297	57,938	6,868	59,400	-8.0%	-2.5%
Total vendor	**18,002**	**204,191**	**20,058**	**202,394**	**-10.3%**	**0.9%**
Mutual banks						
Light commercial vehicle leasing	636	24,161	788	25,693	-19.3%	-6.0%
Equipment leasing	602	13,780	657	15,041	-8.4%	-8.4%
Heavy vehicle leasing	46	2,704	70	4,027	-34.3%	-32.8%
Total mutual banks	**1,284**	**40,646**	**1,515**	**44,761**	**-15.2%**	**-9.2%**
Other						
Light commercial vehicle leasing – Agents	156	6,365	189	6,663	-17.5%	-4.5%
Heavy vehicle leasing – Agents	59	2,993	116	5,497	-49.1%	-45.6%
Total other	**215**	**9,357**	**305**	**12,160**	**-29.5%**	**-23.0%**
Total	**19,501**	**254,194**	**21,878**	**259,315**	**-10.9%**	**-2.0%**

Net lending came to €488 million, a slight decrease on the end of 2021 (€500 million). In terms of risk profile, the company closed the period with a gross NPL ratio of 3.8% (the net NPL ratio came to 1.1% thanks to a coverage ratio of 72.9%).

Income statement

Profit before tax for the year amounted to €15.5 million (compared with €14.2 million in 2021). Net profit stood at €11.2 million (€610.7 million in 2021).

More specifically, gross income totaled €23.9 million, up 2.3% compared with the corresponding period of the previous year thanks to both the stability of interest income and a reduction in the average cost of funding. The cost of risk fell (€3.2 million, compared with €4.4 million recorded the previous year).

BCC FACTORING S.P.A.

The year closed with a profit before tax of €2.2 million (and a net profit of €1.5 million), with the figure being strongly impacted by the writeback of over €0.7 million recognized under item 130 of the income statement and a sharp increase in gross income.

The growth in turnover compared with 2021 produced an increase of €0.2 million in fee and commission income.

Balance sheet

The company's total assets, almost entirely in the form of loans to customers, came to €661.4 million, up from the €589.1 million posted at the end of 2021.

Income statement

Gross income increased by €1 million, to €9.1 million, reflecting an increase in net interest income and in net fee and commission income.

Administrative expenses rose by €717 thousand, while personnel expenses rose slightly. The income statement also benefited the positive effect of writebacks of provisions for performing loans.

BANCA MEDIOCREDITO FVG S.P.A.

Banca Mediocredito del Friuli Venezia Giulia S.p.A. specializes in medium and long-term lending and is also responsible for the lending granted through subsidized financing instruments that the Autonomous Region of Friuli Venezia Giulia (in part under Revolving Funds) and other public entities have made available to businesses. New lending disbursed to businesses in the Friuli Venezia Giulia region in 2022 totaled €91.6 million, of which €38.9 million related to non-subsidized lending with the remainder being in lending financed with third-party funds. In the last quarter of the year, the Bank transferred its the entire lease credit portfolio to Iccrea BancaImpresa for a nominal value of €62 million.

Balance sheet

At December 31, 2022, total assets came to €830 million, €339 million of which in loans to customers (a decrease of about €125 million from the end of 2021, partly reflecting the transfer of the entire lease portfolio), about €292 million in financial assets, and the remainder in loans to banks (about €138 million) and tax assets (€43 million).

Net performing loans came to €330 million, a decrease of 26% from the end of 2021. Net impaired exposures also decreased by 44.51% to €8.4 million (from €17.3 million at December 31, 2021).

As a result, the gross NPL ratio came to 9.4% and the net ratio to 2.4% (they were 12.3% and 3.7% at the end of 2021, respectively).

Direct funding from customers came to €164 million, a decrease of 41% from the end of 2021. The decline reflected a specific strategy to restructure interest-bearing liabilities and reduce the cost of funding.

Income statement

At December 31, 2022, the income statement reported a profit before tax of €1.9 million (compared with a loss of €6 million at the end of 2021) and a net profit of €2 million.

Gross income amounted to €22.3 million, an increase of €2.9 million attributable to a rise in interest income primarily associated with finance operations (€8 million), which offset the decrease in the contribution of the loan portfolio, a decrease in interest expense (€1.5 million), a decline in fee and commission income (€0.3 million) and a net loss on financial assets mandatorily measured at fair value (-€2 million).

Writebacks on loans and assets returned from terminated finance leases totaled €2.7 million.

Operating expenses increased due to the costs incurred in the migration to the new Group information system.

6. DEVELOPMENTS IN PARENT COMPANY OPERATIONS AND THE MAIN ITEMS OF THE BALANCE SHEET AND INCOME STATEMENT

The following provides a summary description of the main items of the Parent Company's balance sheet and income statement at June 30, 2022. In order to permit a more immediate assessment of the items, the balance sheet and income statement schedules shown below are presented in a more summary format than those provided for by Circular 262/05 of the Bank of Italy.

BALANCE SHEET

Assets

€/thousands	31/12/2022	31/12/2021	Change	% change
Financial assets measured at amortized cost – *Due from banks – Loans and securities*	35,653,688	32,171,399	3,482,289	10.8%
Financial assets measured at amortized cost –*Due from customers – Loans*	7,084,693	5,984,049	1,100,644	18.4%
Financial assets measured at amortized cost – *Due from customers – Securities*	8,340,562	10,816,923	(2,476,361)	-22.9%
Financial assets measured at fair value through profit or loss	2,521,624	1,287,573	1,234,051	95.8%
Financial assets measured at fair value through other comprehensive income	1,079,476	510,674	568,803	111.4%
Equity investments	1,568,623	998,822	569,800	57.0%
Other assets	642,509	681,328	(38,819)	-5.7%
Total interest-bearing assets	**56,891,176**	**52,450,768**	**4,440,407**	**8.5%**
Other non-interest-bearing assets	1,600,632	1,327,841	272,791	20.5%
Total assets	**58,491,808**	**53,778,609**	**4,713,199**	**8.8%**

At December 31, 2022 total assets amounted to €58.5 billion, an increase from the €53.8 billion posted at the end of December 2021, mainly reflecting the following developments:

- an increase in loans measured at amortized cost of €2.1 billion compared with the end of 2021. More specifically, this reflected:
  - an increase in amounts due from banks (+€3.5 billion), mainly attributable to the combined impact of: i) a decrease in the reserve requirement maintained on behalf of the mutual banks (-€6.1 billion), also reflecting the deleveraging and repositioning of the forms of funding carried out from the second quarter of 2022, which was correlated with the change in "Financial liabilities measured at amortized cost"; and ii) an increase in lending to the mutual banks (+€9.5 billion) connected with the revision of Group processes and infrastructure within the EuroSystem-Collateral-Management-System (ECMS), which as from December involved the full centralization of monetary policy operations with the Parent Company;
  - a reduction in loans to customers, largely attributable to a decrease in investments in debt securities (-€2.5 billion, mainly Italian government securities), only partly offset by an increase in repo transactions with the Clearing & Guarantee Fund (+0.6 billion) and loans primarily granted to companies within the direct scope of consolidation (+0.5 billion);
- an increase of €1.2 billion in financial assets measured at FVTPL (to €2.5 billion), attributable to the net effect of the following developments: i) an increase in assets held for trading, mainly reflecting an increase in the value of trading derivatives (+€1.3 billion; an analogous change is recorded under trading derivatives in liabilities), partially offset by a decrease in purchases of government debt securities (-€62.5 million); ii) a reduction in assets originally designated as at fair value (-€24.4 million), represented by the assets included in the Guarantee Scheme, in reflection of a decline in the value of the investment portfolio; and iii) a decrease in other financial assets mandatorily measured at fair value (-€23.8 million), reflecting repayments during the year and a decrease in the value of units in CIUs (-€26.7 million) and equity securities (-€5.8 million), partially offset by an increase in purchases of debt securities (+€8.8 million).

€/thousands	Financial assets held for trading	Financial assets designated as at FV	Other financial assets mandatorily measured at FV	Total
Debt securities	8,835	270,820	63,205	342,860
Equity securities	1,913	-	40,453	42,366
Units of CIUs	92	-	403,015	403,107
Derivatives	1,733,291	-	-	1,733,291
Total 31/12/2022	**1,744,131**	**270,820**	**506,673**	**2,521,624**
Total 31/12/2021	**461,894**	**295,250**	**530,429**	**1,287,573**
Change	**1,282,237**	**(24,430)**	**(23,756)**	**1,234,051**

- an increase of €568.8 million in financial assets measured at fair value through other comprehensive income, which are held under the HTCS business model, reflecting the purchase of debt securities (primarily government issues) in the amount of €420.8 million and equity securities of banks in the amount of €148.0 million (almost exclusively Bank of Italy shares purchased over the course of the year);

- an increase of €569.8 million in equity investments, mainly due to: i) the subscription of the capital increase of BCC Servizi Assicuravi Srl (+€265.0 million in connection with the reorganization of the Group's "Bancassurance" operations already discussed in the report on consolidated operations) and in Iccrea BancaImpresa S.p.A. (+€70.0 million); ii) the purchase of additional shares in Banca Mediocredito FVG (+€26.6 million previously held by the region of Friuli Venezia Giulia); iii) the acquisition of the new investment in Pay Holding S.p.A. (+€180.1 million as part of the reorganization designed to reposition the Group's e-money operations, a transaction described in the following section) and in BCC POS S.p.A. (+€2.0 million); iv) the subscription of shares pursuant to Art. 150-ter of the Consolidated Banking Act - as manager of the Guarantee Scheme – in Banca di Pisa e Fornacette (+€21.0 million) and Banca Centropadana (+€7.0 million). All of this was partially offset by the impairment loss on the equity investment held in Banca Sviluppo S.p.A. (-€1.8 million).

The following table provides a breakdown of amounts due from banks, largely represented by loans to the mutual banks (€30.3 billion, a substantial increase of €10.2 billion on the end of 2021). These loans, disbursed against pool collateral, include about €23.7 billion in operations with the ECB (TLTRO III) and €5 billion in other forms of collateralized financing.

€/thousands	31/12/2022	31/12/2021	Change	% change
Mutual banks	30,305,595	20,103,869	10,201,726	50.7%
Other credit institutions	5,348,093	12,067,530	(6,719,437)	-55.7%
Due from banks	**35,653,688**	**32,171,399**	**3,482,289**	**10.8%**

Amounts due from other credit institutions (including debt securities) include €3.6 billion in intercompany lending (about €3.3 billion to Iccrea BancaImpresa) and deposits with third parties for the remainder.

Loans to ordinary customers amounted to €7.1 billion, a rise on the €6.0 billion posted at the end of December 2021. Of the total, €2.4 billion regard intercompany loans. The change in the item is largely attributable to an increase in other transactions (+€0.4 billion) and in repurchase transactions with the Clearing & Guarantee Fund (+€0.6 billion).

€/thousands	31/12/2022	31/12/2021	Change	% change
Current accounts	191,375	234,053	(42,678)	-18.2%
Medium/long-term loans	2,729,605	2,566,541	163,064	6.4%
Repurchase transactions	728,304	143,286	585,018	408.3%
Other transactions	3,392,525	2,977,544	414,981	13.9%
Impaired assets	42,884	62,625	(19,741)	-31.5%
Loans to customers	**7,084,693**	**5,984,049**	**1,100,644**	**18.4%**

The following table provides a breakdown of impaired positions:

€/thousands	Gross exposure	Impairment losses	Net exposure	% coverage
Bad loans	43,988	36,926	7,063	83.9%
Unlikely to pay	130,534	96,851	33,684	74.2%
Impaired past-due	2,713	576	2,137	21.2%
Total 31/12/2022	**177,236**	**134,352**	**42,884**	**75.8%**
Total 31/12/2021	**269,745**	**207,120**	**62,625**	**76.8%**
Change	**(92,509)**	**(72,768)**	**(19,741)**	**-1.0%**

Liabilities

€/thousands	31/12/2022	31/12/2021	Change	% change
Financial liabilities measured at amortized cost – *Due to banks*	41,593,508	39,337,080	2,256,428	5.7%
Financial liabilities measured at amortized cost – *Due to customers*	8,663,966	7,510,089	1,153,877	15.4%
Financial liabilities measured at amortized cost – *Securities issued*	3,425,452	3,748,638	(323,186)	-8.6%
Financial liabilities held for trading	1,729,244	430,857	1,298,386	301.3%
Financial liabilities designated as at fair value	352,484	335,392	17,092	5.1%
Other liabilities	403,602	418,410	(14,808)	-3.5%
Total interest-bearing liabilities	**56,168,255**	**51,780,466**	**4,387,789**	**8.5%**
Other non-interest-bearing liabilities	221,593	309,029	(87,436)	-28.3%
Shareholders' equity	1,662,166	1,635,936	26,231	1.6%
Profit for the period	439,793	53,178	386,616	727.0%
Total liabilities and equity	**58,491,808**	**53,778,609**	**4,713,199**	**8.8%**

The increase in liabilities recorded in the period compared to the figure registered at the end of 2021 is mainly attributable to a €4.4 billion increase in interest-bearing funding, which was the net effect of the following developments:

- an increase of €2.3 billion in amounts due to banks to €41.6 billion, due to the combined effect of the increase in amounts due to central banks (+€5.2 billion) as a consequence of the centralization of monetary policy operations at the Parent Company within the ECMS area and the reduction in amounts due to banks (-€3.0 billion), notably term deposits (-€4.1 billion, following the deleveraging activity noted earlier) and repurchase agreements (-€0.4 billion), partly offset by an increase in deposits on current accounts and demand deposits (+€1.6 billion);
- an increase of €1.2 billion in amounts due to customers, which rose to €8.7 billion, reflecting an increase in repurchase agreements with the Clearing & Guarantee Fund (+€0.8 billion) and an increase in funding through current accounts (+€0.4 billion);
- a decrease in securities issued (-€0.3 billion), due almost entirely to the redemption of maturing securities (-€1.0 billion), partially offset by new issues (+0.7 billion);
- an increase in liabilities held for trading, attributable mainly to a rise in the value of trading derivatives (+€1.3 billion, connected with the analogous development in the corresponding asset item).

Amounts due to banks at December 31, 2022 break down as follows:

- €13.1 billion in positions with the affiliated banks mainly in respect of term deposits (€9.2 billion, of which €3.0 billion in mutual bank deposits to meet reserve requirements) and amounts held on the daily settlement account (€3.7 billion);
- €28.5 billion in amounts due to other credit institutions, largely related to financing from the ECB under TLTRO III (€26.3 billion).

€/thousands	31/12/2022	31/12/2021	Change	% change
Mutual banks	13,129,059	17,459,981	(4,330,921)	-24.8%
Other credit institutions	28,464,449	21,877,100	6,587,349	30.1%
Due to banks	**41,593,508**	**39,337,080**	**2,256,428**	**5.7%**

Funding with customers amounted to €8.7 billion, an increase (+€1.2 billion) on December 31, 2021. The rise reflects an increase in repurchase transactions (+€0.8 billion) and an increase in current account funding (+€0.4 billion).

€/thousands	31/12/2022	31/12/2021	Change	% change
Current accounts and deposits	1,258,602	829,417	429,185	51.7%
Financing	6,975,584	6,094,575	881,009	14.5%
Other payables	429,780	586,097	(156,318)	-26.7%
Due to customers	**8,663,966**	**7,510,089**	**1,153,877**	**15.4%**

Equity

€/thousands	31/12/2022	31/12/2021	Change	% change
1. Capital	1,401,045	1,401,045	-	-
2. Share premium reserve	6,081	6,081	-	-
3. Reserves	236,491	183,456	53,035	28.9%
4. Equity instruments	-	-	-	-
5. (Treasury shares)	-	-	-	-
6. Valuation reserves	18,548	45,354	(26,806)	-59.1%
Total	**1,662,166**	**1,635,936**	**26,230**	**1.6%**

At December 31, 2022, the share capital of Iccrea Banca, represented by 27,125,759 ordinary shares with a par value of €51.65 each, was equal to €1.4 billion, unchanged from 2021. Shareholders' equity, excluding profit for the period, amounted to €1.7 billion, an increase of €26.2 million compared with December 31, 2021. The main changes reflect the allocation of 2021 profit (€53.2 million, of which €5.3 million to the legal reserve and €47.9 million to cover prior-period losses) and a decrease in valuation reserves (-€26.8 million), mainly due to changes in the cash flow hedge reserve (-€17.4 million) as a result of new hedges during the period and, for the remainder, a decrease in valuations of securities in the FVOCI portfolio.

Income statement

€/thousands	31/12/2022	31/12/2021	Change	% change
Net interest income	**231,984**	**176,085**	**55,899**	**31.7%**
Other gains/losses on financial transactions	(10,779)	89,745	(100,524)	-112.0%
Dividends	13,475	28,441	(14,966)	-52.6%
Net fee and commission income	**72,100**	**92,741**	**(20,641)**	**-22.3%**
Other operating expenses/income	**306,780**	**387,012**	**(80,232)**	**-20.7%**
Gross income	(197,079)	(185,182)	(11,897)	6.4%
Personnel expenses	(265,102)	(249,409)	(15,693)	6.3%
Other administrative expenses	(2,246)	(2,589)	343	-13.2%
Net adjustments of property, plant and equipment and intangible assets	114,170	179,829	(65,659)	-36.5%
Total operating expenses	**(350,257)**	**(257,352)**	**(92,905)**	**36.1%**
Gross operating profit	**(43,477)**	**129,660**	**(173,137)**	**-133.5%**
Net provisions for risks and charges	1,813	(4,623)	6,436	-139.2%
Net losses/recoveries on impairment of loans and other financial transactions	22,591	(67,638)	90,229	-133.4%
Total provisions and adjustments	**24,404**	**(72,261)**	**96,665**	**-133.8%**
Profit/(loss) from equity investments	437,836	(27,116)	464,952	-1,714.7%
Profit/(loss) before tax	**418,763**	**30,284**	**388,479**	**1,282.8%**
Income tax expense	13,854	(1,876)	15,730	-838.5%
Profit/(loss) after tax on discontinued operations	7,176	24,770	(17,594)	-71.0%
Profit/(loss) for the period	**439,793**	**53,178**	**386,615**	**727.0%**

The profit for 2022 amounted to €439.8 million, compared with a profit of €53.2 million in 2021. The main factors driving the result were the following:

- a decrease of €80.2 million in gross income to €306.8 million at the end of 2022, reflecting:
  - an increase in net interest income (+€55.9 million) attributable to: i) an increase in the yields on securities (+€94.5 million, almost all of which are Italian inflation-linked government securities); ii) an increase in yields deriving from other technical forms of investment, mainly linked to trends in interest rates (+€28.0 million); iii) the recognition of interest income on tax credits (+€4.9 million); conversely, costs increased on iv) funding through bond issues (-€15.1 million), v) repurchase transactions (-€13.1 million) and vi) deposits on current accounts (-€35.4 million);
  - a reduction in net fee and commission income (-€20.6 million), mainly due to the recognition of performance fees connected with the exclusive promotion and placement agreement for e-money products and services with the Group mutual banks (-€13.7 million), a decrease in fee and commission income for securities placement (-€4.2 million) and a decrease in fee and commission income for Medio Credito Centrale servicing activities (-€4.2 million);
  - a contraction of €100.5 million in other income/(loss) from financial operations, which amounted to €10.8 million (as detailed in the following table), reflecting a decline in the volume of sales compared with 2021 (-€51.7 million). Also decreasing was the value of the HTCS portfolio (-€36.9 million), mainly due to capital losses on units of CIUs and equity securities (-€31.8 million) and debt securities (-€3.6 million). Also showing a loss were i) trading activities (-€6.9 million) – mainly in derivatives (-€8.4 million), only

partly offset by the stronger performance of securities trading (+€0.9 million); and ii) hedging activities (-€5.1 million), which were sharply impacted by interest rate developments during the year;

€/thousands	31/12/2022	31/12/2021	Change	% change
Net gain (loss) on trading activities	13,225	20,115	(6,890)	-34.3%
Net gain (loss) on hedging activities	(4,946)	108	(5,054)	-4,681.3%
Net gain (loss) on the disposal or repurchase of:	25,442	77,151	(51,709)	-67.0%
a) financial assets measured at amortized cost	34,917	76,471	(41,555)	-54.3%
b) financial assets measured at fair value through other comprehensive income	(9,357)	4,357	(13,714)	-314.8%
c) financial liabilities	(117)	(3,677)	3,560	-96.8%
Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss	(44,500)	(7,629)	(36,871)	483.3%
a) financial assets and liabilities measured at fair value	(4,547)	(3,128)	(1,418)	45.3%
b) other financial assets mandatorily measured at fair value	(39,954)	(4,501)	(35,452)	787.6%
Total “Other income/(loss) from financial operations”	**(10,779)**	**89,745**	**(100,524)**	**-112.0%**

- a decline of €15.0 million on the same period of 2021 in dividend income, which amounted to €13.5 million. The decrease mainly reflected the decision to not distribution dividends of the companies in the direct scope (-€23.3 million), partially offset by dividends from the interest in the Bank of Italy (+€6.8 million);

- an increase of €92.9 million in operating expenses, which rose to €350.3 million, reflecting the following developments:
  - a decrease in other operating expenses/income (-€65.7 million), mainly attributable to the recognition of one-off charges (€90 million) connected with long-term exclusive distribution contracts and agreements for the products and services of BCC Pay between Iccrea Banca and the Group mutual banks. Excluding this component, revenues from services rendered to ICBG companies increased;
  - an increase of €11.9 million in personnel expenses, of which €7.7 million attributable to an increase in wages and salaries under the terms of the contract renewal, salary adjustments and an expansion of the workforce; €2.6 million to an increase in provisions for variable components of remuneration (lump-sum bonus, performance bonus, MBO bonus) and €1.6 million to other items such as training, travel expenses, per diems, overtime, leases and secondments;
  - an increase of €15.7 million in other administrative expenses, mainly reflecting increases associated with: i) IT expenses and consulting (+€9.1 million); ii) advertising and communication expenses (+€7.5 million); iii) postal and telephone expenses (+€4.3 million); iv) expenses relating to workstations (+€1.2 million) and travel and transport (+€1 million). Conversely, there was a decrease in expenses relating to consulting and other professional services (-€8 million);
- a decrease in the cost of risk (see following table) with the recognition of writebacks on on-balance-sheet and off-balance-sheet exposures of €23.8 million, equal to the net effect of writebacks on stage 1 and 2 exposures (+€28.8 million) and impairment losses on non-performing stage 3 exposures (-€5.0 million).

€/thousands	31/12/2022	31/12/2021	Change	% change
A. On-balance-sheet exposures				
Stage 1 and 2	26,264	(24,283)	50,547	-208.2%
Stage 3	(3,673)	(43,355)	39,682	91.5%
B. Off-balance-sheet exposures				
Stage 1 and 2	2,493	(3,864)	6,357	164.5%
Stage 3	(1,321)	(1,209)	(112)	9.3%
Total	**23,763**	**(72,711)**	**96,474**	**132.7%**

- an increase in gains recognized on controlling interests (+€465 million) to €437.8 million. This was mainly attributable to the capital gain realized on the sale of BCC Pay to FSI (€439.9 million, as part of the strategic initiative connected with the e-money segment, an operation described in further detail in the following section). During the year, A the equity investment in Banca Sviluppo was also written down (-€1.8 million).

The item “profit (loss) after tax on discontinued operations” reports the net profit of the assets and liabilities transferred as from the second quarter of 2022 to BCC Pay as part of the spin-off of e-money operations.

STRATEGIC REPOSITIONINING IN THE E-MONEY SEGMENT

During 2022, the strategic operation to leverage the e-money business, approved by the Board of Directors on November 29, 2018, was completed. On January 29, 2022 the Bank signed an agreement for a strategic partnership with FSI SGR S.p.A. (Fondo Strategico Italiano, hereinafter "FSI") aimed at developing the e-money business. As part of this operation, on March 17, 2022, the sale of the "e-money" business unit to BCC Pay S.p.A. was officially completed, the latter being authorized to issue electronic money and provide payment services pursuant to Article 1, paragraph 2, letter h-septies. 1) of the Consolidated Banking Act with a measure issued by the Bank of Italy on October 5, 2021 and is entered in the Register of Electronic Money Institutions with effect from October 12, 2021. The business unit transferred comprised the assets and liabilities relating to the e-money business including, among others, the associated human resources, assets and related legal relationships.

"Acquiring" e-money operations were transferred with effect from April 1, 2022 and "Issuing" operations were transferred with effect from May 1, 2022. On August 3, 2022, Iccrea Banca and FSI finalized the strategic partnership agreed in January 2022 to further develop BCC Pay as a fintech operator. The operation was concluded following receipt of authorization from all the competent authorities and provided for the investment of FSI in BCC Pay through the acquisition - through the vehicle PAY Holding S.p.A. – of 60% of the company's share capital, while Iccrea Banca - again through PAY Holding S.p.A. - holds the remaining 40%. Within the context of the overall strategic repositioning in the segment, contracts and exclusive long-term distribution agreements were also signed for the products and services of BCC Pay for the Group.

The main stages of the operation and the related impacts on the financial statements at December 31, 2022 are summarized below.

Signing of exclusive promotion and placement contracts between Iccrea Banca and the participating mutual banks

Iccrea Banca and the participating mutual banks have signed a contract for the exclusive promotion and placement of the e-money products and services provided by Iccrea Banca, also through BCC Pay, for an indeterminate term (without prejudice to a right of withdrawal no fewer than 20 years from the date of the transfer of the business units to BCC Pay S.p.A., and subject to provision of adequate notice). Specifically, Iccrea Banca has i) identified BCC Pay as its supplier of BCC Pay products and services; ii) assumed the role as coordinator of commercial activities, providing support to the participating mutual banks in the form of commercial planning, management and coordination of the commercial network, development and implementation of branding and marketing strategies, the management of innovation needs and the definition of training plans.

The agreement provides for:

- a one-time payment of €90 million to the mutual banks for the exclusive commercial rights granted to Iccrea Banca, the cost of which was fully recognized in 2022 profit or loss of Iccrea Banca;
- an additional performance fee component (the "rappel") supplementing the ordinary fee and commission framework for the arrangement. This additional component is linked to the achievement of specific qualitative and quantitative targets of the commercial plan over the 2022-2029 period concerning the promotion and placement of products and services. More specifically, the amount of the rappel is determined as follows: i) 20% for the achievement of qualitative objectives (such as, by way of example, customer satisfaction, reputational risk, credit quality) and ii) 80% % for the achievement of quantitative targets in terms of transaction volumes assigned to the mutual banks for each year of the 2022-2029 period, weighted for each issuing and acquiring product category ("weighted transaction targets"). Award of the quantitative rappel is subject, for each reference year, to achievement of at least 90% of the weighted transaction target, with no decrease compared with the previous year (if less than 100%). The arrangements also provide for the payment of an extra-rappel in the event of overperformance, up to achievement of 110% of the weighted transaction target. In the event of failure to achieve 100% of the annual weighted transaction target, the mutual bank shall receive a portion of the quantitative rappel defined for the reference year, which shall in in any case be paid only when certain gates are passed on a proportional basis. In the event mutual bank, for one or more years of the 2022-2024 period, does not achieve values of the weighted transaction target sufficient for payment of the quantitative rappels and, nevertheless, manages to achieve at least 100% of the weighted transaction target in 2025, it will be entitled to payment of 50% of the quantitative rappels not achieved in the 2022-2024 period. If the mutual bank registers a lower performance than the previous year and does not achieve at least 100% of the weighted transaction target in the year in question, a clawback mechanism will be applied for the portion of the quantitative rappel received in the previous year through the application of a proportional corrective amount.

At December 31, 2022, in the light of the performance of the operations generated by the mutual banks participating in the exclusive promotion and placement agreement, Iccrea Banca evaluated the weighted transaction targets as envisaged under the promotion and placement agreement and consequently recognized a charge of €13.7 million.

Investment agreement

As noted earlier, the structure of the partnership between Iccrea Banca and FSI SGR S.p.A. defined in the investment agreement was finalized on August 3 through the acquisition of 100% of BCC Pay by Pay Holding S.p.A. for €461 million.

The investment agreement also provides for a number of price adjustment mechanisms tied to achievement of plan targets linked to the fee and commission income generated by BCC Pay on the ICBG network:

- a downward earn-in adjustment of the BCC Pay price, settled on exit, to be paid in the event that net commission income generated by BCC Pay on the ICBG network in future years (starting from 2024) is lower than contractually identified target values. Based on the sustainability analysis of the 2021-2024 business plan of BCC Pay S.p.A., the value of the obligation for the earn-in at December 31, 2022 is estimated to be 0;
- an upward earn-out adjustment of the BCC Pay price, in 2 installments: i) in the event that net commission income generated by BCC Pay on the ICBG network in 2024 and upon exit is greater than the contractually identified target values; ii) in the event that at the time of the exit the returns on invested capital of FSI are greater than the contractually identified values. Based on the plan projections determined at the time of establishment of the company, the estimated value of the earn-out at December 31, 2022 is equal to 0.

Both the value of the price adjustment deriving from the earn-in and that deriving from the earn-out were measured at fair value, determined in accordance with IFRS 13.

At December 31, 2022, on the basis of the aforementioned analysis of the sustainability of the 2021-2024 business plan of BCC Pay S.p.A. and developments in commercial operations, the gates for payment of the earn-in by Iccrea Banca cannot be activated.

At the transaction closing, Iccrea Banca recognized the investment in Pay Holding at a value of €180.1 million and recognized a net capital gain realized on the sale of BCC Pay of €439.9 million.

7. SIGNIFICANT EVENTS DURING THE YEAR

Group Consolidated Business Plan

Operations during the year were directed by the guidelines set out in the 2022-2024 Group Consolidated Business Plan, approved in April 2022, which mainly focused on the:

- the improvement of credit quality;
- the improvement of profitability;
- the maintenance of adequate capital buffers with respect to regulatory levels and MREL capacity with respect to minimum requirements.

Against the background of a macroeconomic environment affected by the tensions induced by the Russia-Ukraine conflict and by the surge in interest rates and inflation (factors that are not incorporated in the benchmark scenario for the definition of the development objectives of the 2022 - 2024 plan), the progress analysis as at June 2022 showed that balance sheet items were substantially aligned with the expected values. On the performance level, profitability was higher than expected, mainly reflecting the positive dynamics of net interest income (driven by returns on the securities portfolio) and the cost of credit risk (which was significantly lower than expected due to the improved quality of the portfolio and the stronger performance achieved in the management of the non-performing portfolio). Net operating expenses and net fee and commission income were broadly in line with the specified targets.

As part of the periodic review of our performance-financial targets, in accordance with the rolling approach to strategic planning adopted by the Group, the horizon of the Plan was extended to 2025, factoring in the changed macroeconomic and financial conditions and the better-than-expected results achieved in 2022, even if certain income components cannot be repeated in the medium term.

The extension of the business plan horizon to 2025 keeps the Group's development and growth guidelines unchanged, confirming its evolution towards an even stronger capital situation, with asset quality in line with the average of the main banks on the Italian market and sustainable profitability in the medium term buoyed by diversifying the sources of revenue, a sound liquidity position and the maintenance of a strong local and mutual approach in line with the values that inspire cooperative credit.

As regards credit quality, the consolidated business plan targets a gross NPL ratio of 3.5% in 2025 (with a net NPL ratio of 1.6% in 2025), with a higher cost of risk compared with 2022, equal to 77 bps on average over the three-year period, leveraging the continuation of the derisking initiatives already activated by the Group since its establishment, focused on the proactive management of performing positions characterized by a high risk of impairment, on more attentive selection of new credit positions, on measures to strengthen cure and workout activities, and on recourse to the sale of UTP positions and bad loans.

On the profitability front, the consolidated plan targets an ROE of more than 5.5% over the entire period of the plan, increasing to 6.9% in 2025. With the absence of the extra returns generated in 2022 by the securities portfolio (inflation-indexed component), net interest income is expected to be close to €3.3 billion over the plan period. Profitability is supported by growth in the contribution of net fee and commission income as a consequence of development initiatives for customer services, in particular in asset management and payments and by initiatives to containing the growth of operating expenses, which had an impact of more than 2 percentage points on the cost/income ratio, which is expected to reach 62.5% in 2025, a marked improvement compared with the 2022 figure adjusted for non-recurring components in the medium term.

With regard to the capital profile, the Total Capital ratio is projected at 21.8% in 2025 and MREL capacity will ensure an adequate buffer with respect to the regulatory requirements. The liquidity profile remains solid both at short term (an LCR of 229% by 2025) and on a structural basis (an NSFR of 149% by 2025).

Additional guidelines regard:

- digital transformation: the objective of the Group's 2023-2025 Plan is to implement the digital transformation program, strengthening the BCC's "omnichannel" service approach by developing digital channels to improve customer relations, reduce management costs and increase sales, targeting the Group's new competitive positioning;
- IT: the Plan seeks to forge a transformation to reconcile cost optimization, innovation and speed of realization, including through the choice of sourcing options. The Plan incorporates measures for the modernization of systems and the service model, with investments over the period covered by the plan amounting to more than €200 million.

The process for defining the corporate strategy takes Environmental, Social and Governance (ESG) factors into due consideration, an area which affects all corporate policies and processes. Taking account of regulatory developments and feedback from the supervisory authorities, analyses of the main market trends, players and outcomes and suggestions from the update of the sustainability rating, the Group has continued to integrate ESG factors into corporate processes, defining new and more challenging objectives during strategic planning along the three drivers of sustainability, setting quantitative targets.

The update of the Group Business Plan targets and the extension of the time horizon to 2025 were approved in March 2023.

NPE Strategy

During 2022, the important derisking initiatives carried out and the evolution of the risk profile of the performing portfolio – which is significantly better than expected - allowed the Group to target NPE levels closer to the expectations of the supervisory authorities (Gross Group NPL Ratio at December 31, 2022 equal to 4.5%, taking account of portfolios classified as non-current assets held for sale involved in the “Mible” and Waarde” transactions discussed elsewhere), bringing achievement of the targets set in the 2022-2024 strategic plan forward by three years.

The following summarizes the main operations carried out.

GACS VI

In May 2022 we completed the Group’s sixth securitization of non-performing loans backed by government guarantees (GACS V).This operation concerned a total portfolio of 9,017 bad loans associated with 5,696 borrowers, sold by 68 banks of the ICBG (including Iccrea Banca, Iccrea BancaImpresa, Banca Sviluppo and Mediocredito del Friuli-Venezia Giulia) and by a number of non-Group commercial banks (Cassa di Risparmio di Asti S.p.A., Banca Valsabbina and Banca di Credito Popolare). Of this portfolio, which had a total exposure in excess of €644 million and a GBV of €582 million, €535 million of which related to the Group, about 33% was unsecured loans, while the remainder was home loans or commercial mortgage loans.

On May 2, 2022, a “block sale” was completed in which the participating banks assigned a portfolio of bad loans to the securitization vehicle BCC NPLs 2022, established in accordance with Law 130/99, and, on May 10, 2022, this vehicle completed the issue of ABSs, and more specifically:

- €142 million in class A senior asset-backed floating-rate notes maturing in January 2047, with ratings of Baa1(sf) by Moody’s Italia Srl, BBB(sf) by Scope Rating GmbH, and BBB(sf) by ARC Ratings S.A.;
- €19.5 million in class B mezzanine asset-backed floating-rate notes maturing in January 2047;
- €6.5 million in class J junior asset-backed fixed-rate and variable-return notes maturing in January 2047.

The senior notes were subscribed entirely by the assignor banks, along with at least 5% of the mezzanine and junior notes, in accordance with the retention rule to maintain a net financial interest in the operation as required by supervisory regulations, whereas the remaining 95% of the mezzanine and junior notes were placed on the market and purchased by a leading international investor within the scope of an auction in which 10 leading international investors participated.

ILLIMITY REAL ESTATE CREDIT FUND

On August 8, 2022, Iccrea Banca S.p.A. and Iccrea BancaImpresa S.p.A. completed a transfer of exposures - primarily unlikely-to-pay (“UTP”) positions - to Illimity Real Estate Credit Fund (iREC), an Italian restricted closed-end alternative investment fund established on the same date, receiving in return units in the fund managed by Illimity Sgr.

The sale - which is part of a broader operation with the participation of other Italian banking groups – involved the sale of non-performing loans granted to 22 borrowers with a total GBV of €43 million in return for fund units with a corresponding NAV of €22 million, equal to 25.1% of the Fund’s credit units at first closing.

KEYSTONE

In December 2022, a "paper-for-paper" contribution was finalized with the transfer to a closed-end alternative investment fund (AIF) of loans classified as unlikely to pay and/or subject to restructuring and - residually - expired/non-performing in which five affiliated banks of the Group and five non-Group participated. The fund, called "Keystone", is managed by Krialos SGR.

The transfer of the receivables was carried out as an en bloc assignment without recourse, with the concomitant subscription of units of the Fund, issued in an amount equal to the price for the assignment of the receivables.

The overall portfolio contributed to the fund has a gross book value of €254.9 million (€31.45 million pertaining to the Group). Having verified the conditions for their derecognition and the issues connected with the possible consolidation of the fund, the originator banks proceeded with the derecognition of the receivables and the recognition of the acquired units.

PITTI SPV

On December 16, 2022, Iccrea BancaImpresa S.p.A. completed the non-recourse cash transfer of receivables, assets and relationships classified as unlikely to pay and non-performing in respect of property leases to Pitti SPV and Pitti Leaseco, securitization vehicles of Illimity Bank S.p.A.. The transaction was formalized through the securitization vehicles, one for loans and the other for material assets and relationships and provided for the issue by the assignor of declarations and guarantees typical for transactions of this type, including those relating to leased assets whose ownership has been transferred to Pitti Leaseco Srl pursuant to Art. 58 of the Consolidated Banking Act.

MIBLE AND WAARDE

In the fourth quarter of 2022, two multi-originator competitive procedures were launched - called, respectively, "Mible" and "Waarde" - aimed at the transfer without recourse and/or through the contribution to a non-speculative investment fund (FIA) of non-performing loan portfolios owned by Group banks.

The total aggregate portfolio of all participants is made up:

- for the "Mible" transaction, receivables from 2,788 counterparties classified as non-performing and unlikely to pay, owned by 71 Group banks and having, at the cut-off date, an aggregate claim of €342.1 million. The gross book value and the net book value of the total aggregate portfolio at December 31, 2022 were equal to €320 million and €116.9 million, respectively;
- for the "Waarde" transaction, receivables from 2,104 counterparties classified as non-performing owned by 34 Group banks and having an aggregate claim of €151.2 million at the cut-off date. The gross book value and net book value of the overall portfolio at December 31, 2022 are equal to €140.5 million and €29.9 million, respectively.

Following the scouting of potential investors interested in participating in the aforementioned transactions and the assessment of the offers submitted, on December 31, 2022, we accepted the binding offers submitted:

- for the "Mible" transaction, by AMCO S.p.A. – in the form of an assignment without recourse pursuant to Art. 58 of the Consolidated Banking Act - and Sagitta Sgr - for a "paper-for-paper" contribution to a UTP Italia fund it manages;
- for the "Waarde" transaction, by AMCO - Asset Management Company S.p.A. in the form of an assignment without recourse pursuant to Art. 58 of the Consolidated Banking Act.

Considering the irrevocable nature of the offers selected, IFRS 5 was applied for the portfolios involved in both transactions for the purposes of the 2022 financial statements. Therefore, the exposures involved were classified under non-current assets held for sale and the recognition in profit or loss of writebacks/writedowns deriving from the difference between the net book value of the portfolios involved and the specified price (with regard to the contribution to the AIF, taking due account of the liquidity adjustment applied to the NAV of the Fund units).

Both transactions were finalized in February 2023.

The Group 2023-2025 NPE Plan, in view of the results of the derisking illustrated above and bearing in mind the prevailing macroeconomic scenario (impacted by the ongoing Russia-Ukraine conflict, the persistence of inflation, the restrictive monetary policy stance, and the moderate contraction of GDP forecast for 2023, with moderate growth expected in subsequent years), was developed in accordance with the strategic imperative of lending continuity to the process of reducing the Group's risk profile.

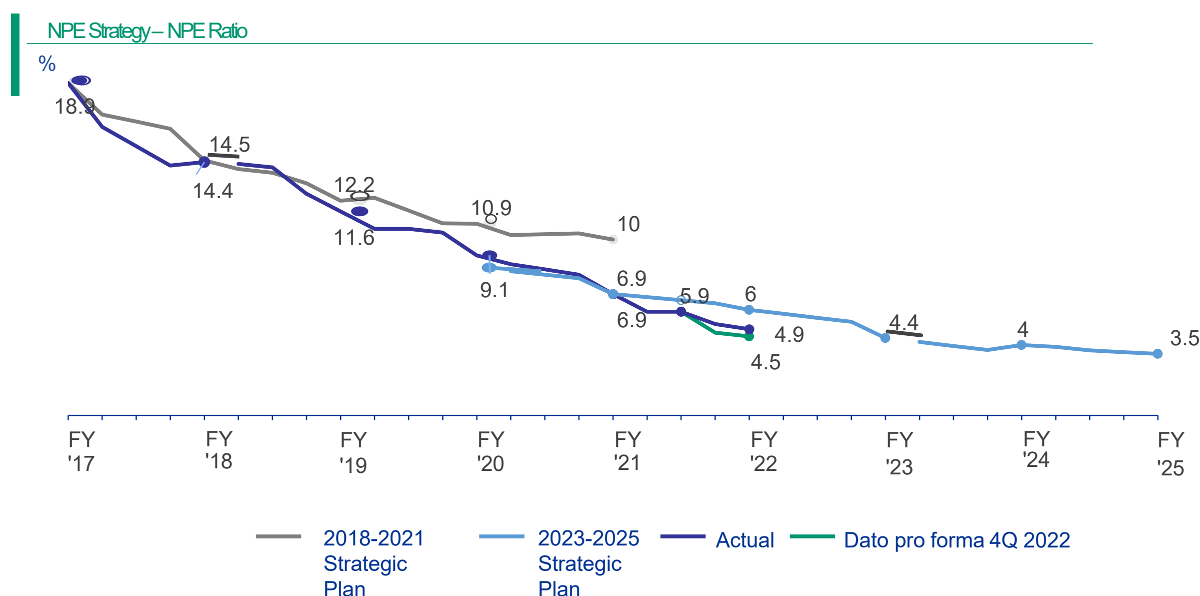
In the macroeconomic environment outlined above, despite maintaining a prudent approach, the quality of the loan portfolio is nevertheless expected to deteriorate, with deterioration rates in the first year expected to exceed the final figures in 2022 (and the forecasts in the previous plan), with a gradual improvement over the course of the three-year period. The main variables and targets set out in the plan are summarized below:

- a gradual and steady decline in non-performing exposures, such as to reduce the gross NPL ratio from 4.5% in December 2022 (with a GBV of about €4.2 billion), to 4.3% in 2023 (GBV equal to approximately €4.1 billion), 4% in 2024 (GBV equal to €3.8 billion) and, finally, 3.5% in 2025 (GBV equal to around €3.5 billion);
- a change in the composition of NPEs, with bad debts falling as a proportion of total NPEs from 33% in 2022 to 22% in 2025;
- a reduction in bad debts as a proportion of gross loans (from 1.5% in 2022 to 0.8% in 2025);
- the derisking of substantial segments of the NPE portfolio characterized by higher levels of vintage and coverage;
- the entry of new defaulted exposures with lower coverage ratios;
- a further strengthening of the ordinary management of the non-performing portfolio (liquidations, settlement agreements, full and final settlement offers), without prejudice to the use of substantial assignments of positions;

- a decline in the overall level of NPE coverage from 68% in December 2022 to 55% in 2025 (with UTP coverage falling from 64.8% in December 2022 to 55% in 2025 and bad loan coverage going from 84% at the end of 2022, decreasing further in 2023 and 2024 and reaching 79% in 2025).

In the light of the intensive de-risking actions pursued thus far and the outlook as described under the new NPE plan, the figure below shows developments in the last 5 years in the NPE ratio and the forecasts for 2023–2025 period - compared with the 2018–2021 period –to illustrate the acceleration in the Group's de-risking efforts.

The calculation of the NPE ratio indicated by the line tracing the 2022 pro forma figures also includes the portfolios of impaired loans involved in the "Mible" and "Waarde" transactions referred to above, which were classified under non-current assets held for sale at December 31, 2022.



2021 marketing plan and implementation of commercial and marketing strategy

In 2022, the Group continued efforts to enhance our model of banking in support of the local communities of the affiliated banks, maintaining a keen focus on the needs of the territory and on the satisfaction our customers and shareholders. In support of this development path, execution of numerous projects continued, including:

- Full Commercial Potential, a project of business development and specialization for the mutual banks, in line with the adoption of the new service models and revision of the distribution models, including development of the catalogue of products and services (especially in the areas of asset management, insurance and bancassurance, ancillary services for individuals, consumer credit, and e-money services, with a focus on commercial initiatives for international services, short-term products, leasing, factoring agribusiness services, tourism and structured finance, exploiting opportunities offered by the NRRP where appropriate). Many mutual banks are already active, and encouraging results have been achieved in terms added value in customer advisory services and an increase in the provision of other premium services;

- Customer Relationship Management (CRM), with the goal of providing the mutual banks with a single tool at the Group level that orchestrates commercial initiatives and commercial relationship management using all available channels based on a single information base with a 360° view of the customer. In 2022, the application was released to all of the Group's mutual banks, and the commercial roll-out for training and operational support continued with a view to maximizing return on commercial efforts. All the mutual banks are active in the effort and have launched at least one campaign for their customers. Finally, the implementation of evolutionary upgrades was begun in order to complete functions, improve user experience, and analyze and monitor commercial activities through the integration of new indicators and commercial reports;

- Wealth Management Platform (WMP), aimed at creating an IT platform for the development of our advisory models in order to ensure the quality of the offering and management of investment, funding, and life and non-life insurance. The WMP was launched into production in April 2021 with a progressive roll-out plan; at December 31, 2022, there were 113 active banks, of which 102 launched in 2022;

- Asset Management, which is focused on strengthening the role of the Group's Investment Center within our proprietary asset management company as a hub for the development of asset management tools, in collaboration with the WM unit (the hub for

investment instruments and services) in 2022 continued the launch of initiatives to expand the range of products and services available to the mutual banks for their customers (for example, the launch of the family of business portfolio management products dedicated to organizations, the expansion of the range of sustainable portfolio management products, the extension of agreements with third-party asset managers, the roll-out of three new funds with placement windows - one operated directly by the asset management company and two operated by third-party asset managers – and the modification of the Aureo open-end pension fund, which also involved the addition of sustainability features);

- Rationalization of the Group Product Catalog in order to improve the quality of information and reduce the number of products, with completion scheduled for the first half of 2023.

Finally, the commercial initiatives promoted within the scope of Italy's NRRP deserve particular mention. Under the direction of the Corporate division, these efforts aim to enable the mutual banks to assist their customers in accessing the subsidy measures released over time through the provision of both consultancy services and funding to be used to finance investments in the energy and digital transitions.

Of particular importance is the €2.5 billion fund established by the Group to provide financial support to customer companies that invest in areas consistent with the plan (e.g., digital transition, ecological transition and energy efficiency). During the year, an agreement was signed with a market leading advisor on subsidized finance to support the mutual banks' customer companies in accessing the various national and regional subsidized finance measures, including those supported with NRRP funds. The Group's goal is to gradually provide firms - with particular attention to SMEs - an NRRP ecosystem where they can find solutions, offered directly by Group companies and selected partners, to seize opportunities through 2026.

Reorganization of the Group's corporate segment

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

As regards Banca MedioCredito FVG, on July 18, 2022 the Parent Company completed the purchase of 1% of its shares, held by the minority shareholders, for about €0.6 million. On September 22, 2022, it finalized the purchase of the shares, equal to 47% of share capital, held by the Region of Friuli Venezia Giulia for about €26 million. Following these acquisitions, Iccrea Banca now holds 100% of Banca MedioCredito FVG and has begun the further optimization of the segment in which Banca MedioCredito FVG operates.

With regard to finance leasing, in line with the development and positioning strategies for the segment, on September 30, 2022, Iccrea Banca made a contribution for a future capital increase to Iccrea BancaImpresa in the amount of €70 million. The funds will enable Iccrea BancaImpresa to continue on its development, in addition to improving risk management.

In further developments to continue the process of simplifying the Group's shareholding structure, on November 21, 2022 an application for authorization was submitted to the supervisory authorities for the acquisition by Iccrea Banca of 100% of the BCC Lease shares currently held by Iccrea BancaImpresa. Subject to obtaining regulatory approval, this acquisition is expected to be completed in the first half of 2023.

By means of these initiatives, the Group will continue with the process undertaken to achieve better service levels for the affiliated banks and better positioning in the various business segments of the Corporate segment necessary for the development of its full commercial potential.

Reorganization of the Group's Bancassurance segment

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

On September 19, 2022, a capital increase of €265 million by BCC Servizi Assicurativi (hereinafter also BCC SA) was finalized and fully subscribed by the sole shareholder, Iccrea Banca, aimed at continuing the process of rationalization and centralization within BCC SA of the Group's insurance businesses.

Specifically, on October 26, 2022, BCC SA completed the purchase of 70% of the shares of ASSI.CRA. Veneto Srl (Territorial Reference Agency - ART del Veneto) held by Iccrea Banca (18.2%), affiliated banks (46.5%) and Banca Sviluppo (5.3%), for a total of approximately €2.5 million. On January 20, 2023, the remaining 30% of the shares held by Federazione Veneta delle BCC was acquired for a total of about €1 million and the instrument for the merger of ASSI.CRA Veneto Srl into BCC SA was signed with legal effect from February 1, 2023 and with accounting and tax effects from January 1, 2023.

In the same area, on November 30, 2022, all the shareholders of Assicra Abruzzo e Molise Srl (Territorial Reference Agency - ART del Abruzzo e Molise) and Federazione Abruzzo e Molise delle BCC (44.2%), affiliated banks (23.5%), Assimoco (25%) and other shareholders (7.3%), accepted Iccrea Banca's offer for the acquisition of 100% of the shares of Assicra Abruzzo e Molise Srl for a total of about €0.6 million. Subject to approval of the prior notifications submitted to the supervisory authorities, this acquisition is expected to be completed in the first half of 2023.

Finally, in the second half of 2022, BCC SA initiated the acquisition of the insurance business of A&T Servizi Assicurazioni e Turistico Srl, which is owned by the Federazione Marchigiana BCC (32.8%) and affiliated banks (67.2%), for a total of about €0.5 million. The transfer of the business unit will be completed in the first quarter of 2023.

In consideration of the expiry of the existing partnership with Società Cattolica di Assicurazioni S.p.A. on December 31, 2022, in accordance with the provisions of the agreements in place with Cattolica itself, the process for selecting the next insurance partner was begun. Specifically, in line with the aforementioned agreements, on October 14, 2022, Iccrea Banca notified Società Cattolica di Assicurazioni S.p.A. of the cancellation of the existing commercial agreements for insurance distribution, interrupting the automatic renewal clause for the 2023 financial year. On October 15, 2022, Cattolica itself therefore exercised the put option envisaged for the transfer to the Group of 70% of the shares held in BCC Assicurazioni e BCC Vita. Iccrea Banca consequently initiated the process, including obtaining authorization from the supervisory authorities, for the repurchase transaction, completion of which is expected during 2023.

Reorganization of the Group's retail segment – Electronic money

As mentioned previously, in line with the overall development and positioning strategy in the segment, work continued to implement the new electronic-money model as defined in the Strategic Plan and the Transformation Plan, with the aim of enabling the affiliated banks to develop their full commercial potential in part through the achievement of new synergies by the product company.

In particular, on April 1, and May 1, 2022, the transfers of the acquiring and issuing business units by Iccrea Banca to BCC Pay were completed for a total of approximately €20.6 million. On August 3, 2022, the closing of the partnership agreement signed with FSI SGR S.p.A. on January 29, 2022 was completed following conclusion of the authorization process by the supervisory authorities. FSI SGR S.p.A. and Iccrea Banca, acting through the vehicle Pay Holding S.p.A., in which they held 60% and 40% interests respectively, acquired the entire share capital of BCC Pay for a total valuation of up to €500 million (including a deferred component). The transaction produced a gross capital gain of approximately €430 million at both the separate and consolidated levels. At the same time, a long-term distribution agreement for BCC Pay products and services was also signed for Iccrea Banca and, through it, for the affiliated banks.

Also in 2022, in line with the reorganization of the segment, Iccrea Banca initiated the acquisition of the POS operations carried out by Coopersystem. Specifically, having concluded prior formalities with the supervisory authorities, on November 29, 2022 Iccrea Banca set up a company called BCC POS S.p.A. that on February 1, 2023 acquired the Coopersystem business unit involved in the purchase, lease, sale, maintenance and assistance of POS terminals.

Reorganization of the Group's operations segment – Single Hub

With the close of 2022, the first wave of the "Operations Strategy" project defined within the Transformation Plan was completed. The aim of the project is to create a Single Hub within the Group to provide – with increasing scope – administrative services in favor of the affiliated banks and product companies, including through the acquisition of back-office business units from the affiliated banks themselves or by mergers and acquisitions from outside the Group.

With regard to the acquisition of the back-office business units of affiliated banks, which has already seen the completion of three transactions in 2021, during 2022 a further even transactions were approved in favor of Sinergia, grouped into four macro-projects: i) the transfer of the back-office business unit from Credito Cooperativo Romagnolo – BCC di Cesena e Gatteo S.C., with effect from February 1, 2022; ii) the transfer of four back-office business units from the four mutual banks involved in the merger into Banca di Credito Cooperativo della Calabria Ulteriore – Società Cooperativa (Banca del Catanzarese – Credito Cooperativo S.C.; BCC del Crotonese – Credito Cooperativo; Credito Cooperativo di San Calogero e Maierato – BCC del Vibonese; Banca di Credito Cooperativo di Cittanova – Società Cooperativa), effective from March 30, 2022; iii) the sale of back-office operations by Banca San Francesco Credito Cooperativo – Società Cooperativa, effective from October 1, 2022; iv) the sale of back-office operations by Banca Cremasca e Mantovana Credito Cooperativo – Società Cooperativa, effective from December 1, 2022.

The merger of In.Cra Società consortile a responsabilità limitata and Sirius Project Srl into Sinergia was also approved. Both companies are already operating in the same segment in terms of both back-office activities and serving the local community. With regard to In.Cra Società consortile a responsabilità limitata, the transaction was concluded effective June 3, 2022, while the transaction involving Sirius Project Srl was concluded as of August 1, 2022.

Within this context, all the preparatory activities for the merger of two special-purpose companies, BCC Solutions and Sinergia, both wholly owned by the Parent Company, were completed in 2022. The merger – which took legal, accounting and tax effect from January 1, 2023 and gave rise to the formation of BCC Sinergia S.p.A. - is part of the broader efficiency-enhancing strategy of the Group and is specifically aimed at bringing out the synergies and economies of scale deriving from the complementarity of the operations of the two companies, which are both already active in the Operations segment serving the other companies within the direct scope and the affiliated banks.

Taking account of the benefits already achieved, the objective for the coming years is to continue the process of centralizing back-office operations. Accordingly, three further business unit transfers similar to those described are currently being developed for 2023.

Agreement with Cassa Centrale Banca for reorganization of the interests in the parent company held by participating mutual banks

In execution of the agreement signed in 2019 with Cassa Centrale Banca S.p.A., which provides for the reorganization of the stakes held by the mutual banks belonging to the two cooperative banking groups as well as the stakes held in entities belonging to said groups, in January 2022, 897,000 shares of Iccrea Banca S.p.A., for a total of about €47.4 million, were transferred from entities belonging to the Cassa Centrale Banca Group – Credito Cooperativo Italiano to affiliated banks and a number of local federations.

Also in execution of the aforementioned agreement, on December 6, 2022 an additional transaction was authorized by the supervisory authorities - the last such operation planned - which in December saw the transfer of some 899.078 shares of Iccrea Banca S.p.A. for a total of about €47.5 million from entities belonging to the Cassa Centrale Banca Group - Italian Cooperative Credit to affiliated banks and a number of local federations.

Capital increase of Hi-MTF/Vorvel SIM

In the first quarter of 2022, Hi-MTF SIM (a joint venture held in equal 20% shares by Iccrea Banca, FinecoBank S.p.A., Banca Akros S.p.A., Banca Sella Holding, and Luzzatti SCpA) updated its 2022-2026 strategic plan, which sees the new Hi-Cert segment as being the main driver of growth. To achieve the established objectives, Hi-MTF has planned a major investment plan supported by the contribution of new capital by the shareholders for a total of €3.5 million. With the goal of facilitating pursuit of the company's 2022-2026 strategic plan, Iccrea Banca subscribed the capital increase of Hi-MTF SIM for €0.7 million, in proportion to its shareholding.

On December 1, 2023, the extraordinary shareholders' meeting of Hi-MTF Sim voted to change the company's name to Vorvel Società di Intermediazione Mobiliare S.p.A. (for brevity, Vorvel SIM S.p.A.).

Commercial agreement with IVH

In September 2022, Iccrea Banca entered into a commercial partnership agreement with Italian Venture Hotellerie Group S.p.A. (IVH) for the referral of Group customers interested in IVH's products and services. Specifically, IVH is a start-up that operates in the hospitality sector, acting as a facilitator and intermediary between hotels and its partner companies so as to meet the needs of renovation, modernization, or the purchase of supplies.

Revision of the territorial organization of the affiliated banks

During 2022, the process of rationalizing the operational structure of the affiliated banks within the territory continued. Specifically, the following mergers took place in 2022:

- CereaBanca 1897 Credito Cooperativo was merged into Banca di Verona e Vicenza Credito Cooperativo SC (new name: "BCC di Verona e Vicenza Credito Cooperativo SC") with legal effect from February 21, 2022;
- BCC di Massafra was merged into Banca di Taranto (new name: "Banca di Taranto e Massafra - Credito Cooperativo SC") with legal effect from March 16, 2022;
- Credito Cooperativo di San Calogero e Maierato – BCC del Vibonese, BCC del Crotonese Credito Cooperativo SC and Banca di Credito Cooperativo di Cittanova SC were merged into the Banca del Catanzarese Credito Cooperativo SC (new name: "Banca di Credito Cooperativo della Calabria Ulteriore SC") with effect from April 11, 2022;
- BCC di Oppido Lucano e Ripacandida SC was merged into BCC di Spinazzola SC (new name: "Banca di Credito Cooperativo Appulo Lucana S.C.") with legal effect from May 6, 2022;
- BCC Mutuo Soccorso Gangi was merged into BCC San Giuseppe delle Madonie (new name: "Banca di Credito Cooperativo delle Madonie SC") with effect from May 23, 2022;
- BCC Bergamo e Valli SC was merged into BCC di Milano SC with legal effect from June 13, 2022;
- BCC di S. Michele di Caltanissetta e Pietraperzia was merged into BCC "G. Toniolo" di San Cataldo (Caltanissetta) (new name: BCC "G. Toniolo" e San Michele di San Cataldo (Caltanissetta) SC with legal effect from November 11, 2022;
- Vival Banca – Banca di Credito Cooperativo di Montecatini Terme, Bientina e S. Pietro in Vincio società cooperativa in two asset bundles underwent a full, non-proportionate demerger and subsequent merger into Banca Alta Toscana Credito Cooperativo SC, with legal effect from November 21, 2022, and into Banca Centro - Credito Cooperativo Toscana – Umbria SC with legal effect from December 12, 2022.

Finally, with a notice of November 30, 2022, the ECB authorized the merger of Banca di Taranto e Massafra – Credito Cooperativo S.C. into BCC di Bari (new name: "Banca di Bari e Taranto - Credito Cooperativo - S.C."). The merger will take legal effect in the second quarter of 2023.

Actions within the scope of the guarantee mechanism

In 2022, the Parent Company launched three capital support initiatives through the guarantee scheme for a total nominal amount of €28 million, drawing on the ex ante portion of the readily available funds and, more specifically:

- the subscription of shares issued in accordance with Article 150-ter of Legislative Decree 386/93 by Banca di Pisa e Fornacette for a total of about €21.0 million;
- the subscription of shares issued in accordance with Article 150-ter of Legislative Decree 386/93 by Banca Centropadana for a total of about €7.0 million;
- the subscription of an Additional Tier 1 instrument issued by Vival Banca for a total of €3 million.

These capitalization initiatives were attributed proportionately to each participant in the scheme.

Recovery Plan

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

During the second half of 2022, the updating of the Group Recovery Plan for 2022 was completed, taking account of the expectations communicated by the supervisory authorities. In order to assess the Group's ability to restore the financial performance and standing of all Group companies in the event of particularly adverse circumstances, we have included three scenarios of severe macroeconomic and financial instability (systemic, idiosyncratic and combined), the potential effects of the conflict between Russia and Ukraine and their relevance to the Group's business model, and a hypothetical cyber incident with serious financial implications.

Finally, an initial simulation (dry-run) was conducted in 2022 to test the Recovery Plan activation process on the basis of the Group Recovery Playbook.

The COVID-19 health emergency

With the aim of ensuring continuity in operations and a prompt response in the event of a rapid deterioration of national conditions with a significant impact on the Group’s operations, the COVID-19 emergency task force established at beginning of the pandemic continued to operate during the first half of the year. Through the functions that have operated within the task force, therefore, management and coordination of the actions necessary to ensure the protection of personnel, customers and suppliers, as well as to ensure the continuity of critical services in full compliance with the provisions issued by the competent authorities, was provided. These activities were conducted and regulated in line with the gradual improvement of conditions at the national level, as well as with the termination of the state of national emergency, which took place on March 31, 2022, by revising internal company rules to incorporate any new obligations imposed and to determine, where appropriate, measures oriented around the utmost prudence, particularly with regard to the situations of greatest vulnerability.

In terms of systems and services – both from an operational point of view and from the view of the provision of systems – the implementation of remote work, activated last year and adapted in response to trends in infections and other assessments carried out by the physician expert in occupational health and safety, continued during the first half of the year. Available infrastructures have been constantly monitored in order to ensure the effective operation of systems supporting operating procedures in place, while ensuring compliance and the management of the various projects underway essentially in line with established plans.

Again in the first half of the year, the personnel in the units that conduct critical activities, manage system-wide processes, and operate in our markets took a hybrid approach to their work, combining work in the office with remote work from home, so as to reduce the risk of infection and of consequently being unable to work.

In July 2022, the Group, having considered the findings of the periodic monitoring activities, which for some time now have highlighted the absence of significant operational or other impacts, as well as the now ordinary nature of the commitments of the active task force, decided to disband the unit. At the same time, the individual corporate functions operating within the task force were instructed to maintain a high level of attention to overseeing their respective areas of competence. In the second half of the year, the need for recourse to remote working also ceased, although it was kept in place for any cases envisaged by the relevant regulatory provisions, as well as for employees most exposed to the risk of contagion.

With regard to the branch network of the banks and other companies of the Group, the uniform and coordinated approach to the opening of offices has been maintained. Where necessary, selective closures – generally in the first half of the year - have been implemented based on developments in the health emergency, but these have been very limited in number and have had no impact on the operations of the banks or on the customers. Access to branches in those circumstances was ensured by way of specific regulations that call for the observance of safety standards. Communication with customers has been maintained by way of in-branch signage and other means of communication (e.g.

the website).

The Russia-Ukraine conflict

With regard to the Russia-Ukraine conflict and the consequent international sanctions imposed on Russia, in particular for trade finance (guarantees and documentary credits), the Group had limited exposure to the countries involved. As for existing positions with Russian counterparties, for residual debt at the reporting date of approximately €2.7 million, it should be noted that all loans are 100% guaranteed either by the Italian parent companies (with regard to intercompany transactions) or by SACE (as regards without-recourse discounting) and that, at the moment, all exposures are being settled normally, albeit with certain difficulties related to Russian counter-sanctions.

Since the day following the onset of the Ukrainian crisis, operational memorandums have been issued to the Group banks in order to properly manage the risks underlying operations with the countries involved and implement rigorous procedures for compliance with the financial sanctions imposed by the competent authorities. These guidance efforts continued in relation to the additional sanctions subsequently implemented by the competent authorities.

In the area of IT security, cyber risk, and business continuity, the Group immediately activated a specific task force with the aim of following developments in this area, so as to ensure timely response to any critical issues that should emerge. The Integrated Security and Operational & IT Risk Management functions of the Parent Company, the ICT Security, Incident Management and Infrastructure functions of BCC SI, as well as the heads of the Business Continuity Plan of the special-purpose companies BCC Solutions and Sinergia participate directly in the task force. The companies of the direct scope and the affiliated banks were also coordinated by way of specific communications.

The task force was in constant contact with and actively participated in the information-sharing activities carried out as part of the working groups with the national bodies responsible for monitoring IT risk and business continuity for the financial sector (i.e. CERTFin and CODISE), which in turn interface with the National Cybersecurity Agency (ACN), within which the Computer Security Incident Response Team (CSIRT) operates, with responsibility for monitoring incidents at national level and issuing warnings and/or alerts about risks and incidents,.

The actions coordinated by the task force concerned i) organizational and procedural areas; ii) technical and technological areas; and iii) the unavailability of relevant third parties.

As part of the organizational and procedural measures, the presence, for the Group, of suppliers of IT services and/or IT goods attributable to the Russian Federation was investigated, and action was taken for any (potential or actual) critical issues in the related supply agreements. In addition, all the Group's procedures for responding to potential IT security incidents deriving from this landscape have been verified.

As part of the technical measures, a communication channel was activated with CERTFin to facilitate the exchange of information on new cyber threats with a view to prevention, and we have also strengthened monitoring by means of security bulletins acquired by way of threat intelligence services in order to identify and implement any mitigation efforts for potential vulnerabilities applicable to the Group. In addition, action was taken by reviewing and, where appropriate, further strengthening the security level of the Group's services exposed to or accessible via the internet.

As part of the monitoring of any unavailability of relevant third parties, developments related to SWIFT have been carefully monitored, and no impacts for the Group have been encountered.

With regard to potential developments in the supply of energy resources, the operational resilience of the sites hosting critical services has been verified in order to determine whether, in the face of any disconnection of utilities, there could be a significant impact on normal operations and, if so, what further measures may be necessary. This aspect is constantly monitored, in part in coordination with the specific national working group coordinated by CODISE.

In conjunction with the outbreak of the conflict – and subsequently updated and monitored on an ongoing basis - the Group conducted analyses of the Group's performing enterprises portfolio in order to determine any segments of the portfolio that could be impacted, in terms of higher expected risk, by the changing macroeconomic landscape brought about by the Russia-Ukraine conflict.

This analysis was carried along two main lines: customers operating in specific sectors in which production is highly energy intensive; and customers potentially impacted by the increasing prices of raw materials.

Specifically, starting from the possible evolution of the macroeconomic environment, the analytical model estimated the economic-financial impacts on production and the consequent segmentation of the Group's business portfolio.

At the same time, in order to support the Group banks in identifying positions considered to be at the greatest risk, this analysis was accompanied by specific initiatives to enhance monitoring by the central Lending unit of the Parent Company. Specific guidelines have been issued to govern credit risk mitigation actions, including preventive initiatives. The economic context and related potential impact on the loan portfolio is closely monitored by the first- and second-level central units.

In September, the Group also conducted a scenario analysis to identify the potential impacts of a severe deterioration in the gas supply situation (total interruption of supply from Russia) on the Group portfolio. For the purpose of identifying the impacted sectors, the ICBG called on the support of a leading operator on the Italian market for the definition and delimitation of the sectors involved:

- 1st order effects: companies that use gas as a primary input in their production processes;

- 2nd order effects: companies that depend on products heavily impacted by an interruption in gas supplies.

In this context, the risk profile of the portfolio of firms belonging to the identified sectors (the "gas stoppage" portfolio) underwent periodic monitoring for anomalies and potential risk, providing for specific treatment within the calculation of IFRS 9 impairment losses on the Group's performing credit exposures in the annual report.

Within the scope of humanitarian initiatives, the Group participated in the fundraising event "Ukraine 2022 - *Vicini ai bambini e agli adolescenti*" with the current account organized by mutual banking industry in collaboration with Caritas Italiana.

National collective bargaining agreement renewal

On June 11, 2022, an agreement was reached between Federcasse and the trade unions for renewal of the national collective bargaining agreement for the professionals and middle managers of mutual banks, which expired in December 2019.

The renewal agreement, which will expire on December 31, 2022, is in line with the agreements of May 13, 2021, which had sanctioned new contractual arrangements, calling for the replacement of the local federations by the Parent Company in many areas.

The main elements related to wages and salaries include the adjustment of the remuneration tables, with an overall increase for area 3A4L of an average of €150 from August 2022, which increases of an average of €190 when fully operational as of October 2022, in the increase in payments into the bilateral entities for the industry of the Mutual Pension Fund and the National Pension Fund and in the revision of the performance bonus model, now renamed "Company Productivity Value", which is calculated on the basis of indicators specified under section 48 of the national collective bargaining agreement (e.g. profitability, efficiency, productivity, consistency with the mutualistic nature of mutual banks, environmental impact, diversity and inclusion, etc.) that are representative of the overall performance of the companies.

With regard to the main legislative changes, leave of absence for specific categories of workers suffering from serious illnesses and for the protection of parenthood has been made more flexible and increased, legal protection for acts committed in the exercise of one's duties, and introduction of measures to ensure the right to disconnect. The number of hours to be allocated to training has been increased, with a particular emphasis on the fundamental nature of mutual banking and on inclusion and diversity.

Finally, the new rules governing smart working were defined, with the recognition of a maximum of 10 days per month, to be agreed within second-level negotiations.

Remuneration and incentive policies

In accordance with the provisions of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, the policies adopted in 2022 have taken account of issues of sustainability, which have resulted in a series of sustainability targets and performance indicators in line with the sound and prudent management of ESG risks as part of the system of short-term incentives of the Parent Company and of the companies within the direct scope. The policies adopted in 2022 also pursue gender equal opportunity and treatment, including remuneration. In particular, in compliance with the provisions of the supervisory provisions governing banks, each company/ affiliated bank has formalized principles and measures adopted to ensure gender neutrality in the annual remuneration policy document. The board of directors of each company, with the support of the remuneration committee if it has one, analyzed the gender neutrality of remuneration policies and assessed the gender pay gap and its evolution over time in order to take any corrective action.

The Group document was approved by the shareholders of the Parent Company – based on a proposal by the Board of Directors – meeting in ordinary session on June 16, 2022, and is available on the Iccrea Banca website.

The Group's asset management company, BCC Risparmio & Previdenza, prepared its own remuneration and incentive policies, in compliance with the specific sector regulations and with the Group's Remuneration and Incentive Policy. The document was approved by the ordinary shareholders' meeting of the company on July 26, 2022 and is available on the company's website.

As for the goal of ensuring standardization in the application of the principles underlying the Group's remuneration and incentives policies, a standard was drafted to assist the affiliated banks in adoption of their own remuneration policies and incentive systems consistent with Group policies and guidelines, applicable regulations and the principle of proportionality.

The Parent Company, in compliance with regulatory requirements and the Cohesion Contract with the affiliated banks, also provided instructions relating to identification of Material Risk Takers (MRTs), Material Business Units and Credit Institutions, disclosure obligations pursuant to Article 450 of the CRR, the methods for calculating the bonus pool, collecting the information necessary for consolidated reporting and disclosure requirements (EBA and Pillar III) and the analysis of the gender neutrality of remuneration policies.

Refinement of the impairment model and changes/additions to group policies on the assessment of credit exposures

On the occasion of the closure of the financial statements at December 31, 2022, the measures delineated in the multi-year Credit Risk Models Evolution (CRME) were completed for the purposes of calculating the IFRS 9 impairment of the Group's performing credit exposures. The CRME concerns the evolution of the models for measuring credit risk parameters and specific measures to update the IFRS 9 framework.

In order to achieve a sounder quantification of provisions for the performing portfolio in line with the Group risk profile for the 2022 financial year, the following modifications were completed:

- updating the Probability of Default (PD) models, which hinges on the development of the new version of the internal rating system (AlvinRating 6.0) through the introduction of the single behavioral model at Group level, with the associated re-estimation of the PDs and updating of the rating scale;
- development of "block" LGD models, including the parameters necessary for appropriate quantification in the accounts, based on the combination of parameters connected, respectively, with the pre-litigation phases (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan);
- replacement of the "PD Satellite Models" with models developed internally using the most advanced methodologies available. This evolution enables the Group to internalize the models, reducing dependence on an external supplier of the macroeconomic scenarios and, at the same time, to respond more quickly and with greater precision to the constant demand for in-depth analysis generated by the delicate and changing macroeconomic environment we are currently experiencing;
- updating of the "LGD Satellite Models" to take appropriate account of the reconstruction and updating of the historical databases of position recoveries;
- evolution of the forward-looking conditioning framework for PD, using the Merton-Vasicek methodology.

The methodological modifications referred to above and the associated parameter estimation activities performed in 2022 were also accompanied by conservative adjustments, defined as In-Model Adjustments, intended to both address any weaknesses still present in the models and avoid the incorporation of possible distortions created by the pandemic (such as, for example, default flows that did not emerge in 2020 and 2021).

Finally, other specific interventions on the IFRS 9 impairment framework were implemented with regard to the quantification of an overlay to ensure greater prudence in respect of the uncertainty surrounding the current macroeconomic situation for certain segments of the loan portfolio: private individuals with variable-rate loans, firms impacted by the "gas stoppage scenario", customers with active forbearance measures and customers already benefitting from a loan repayment moratorium.

On-Site Inspection (OSI) – Capital Adequacy and Commercial Real Estate

In 2021, the supervisory authorities conducted an on-site inspection at Iccrea Banca S.p.A. involving an assessment of the appropriate calculation of capital ratios (capital adequacy), with a particular focus on risk-weighted assets (RWAs) for credit risk at the consolidated level, governance and internal policies for the calculation of capital requirements, the reconciliation process and data quality assurance, the appropriate credit risk weighting for specific portfolios, as well as the credit risk mitigation framework (guarantees of new loans and real estate guarantees).

The outcome of the inspection, which was disclosed in the first quarter of 2022, did not find any particular issues overall, although a number of weaknesses in oversight systems were identified, substantially acknowledging the progress made by the Group in the overall governance of its capital position. The Parent Company promptly initiated remediation actions (some of which were already under way before the inspection was even begun) in order to eliminate the shortcomings found during the inspection.

The supervisory authorities conducted an additional OSI at the Group level from March 31 to August 5, 2022, concerning credit and counterparty risk in the area of asset quality of commercial real estate (CRE), with the aim of assessing compliance with and implementation of IFRS 9, as well as performing a credit quality review on select portfolios and assessing credit risk processes. The findings of the inspection will be released in the first quarter of 2023.

Although the results of the inspection by the supervisory authorities are still being formulated, if we take account of the fact that during the OSI the recommendations concerning the loans involved in the Credit File Review have generally already been implemented in terms of both adjusting classifications and making greater adjustments where appropriate, the findings are not expected to have a significant impact on the values reported in the financial statements at December 31, 2022.

Other inspections undertaken by the supervisory authorities in 2022

The following inspection activity was undertaken in the last quarter of 2022:

- on October 20, 2022, Consob launched an inspection concerning procedural aspects relating to the provision of investment services, with particular regard to the "product governance" policy as well as the methods for performing regulatory compliance checks. As at the date of preparation of these financial statements, the inspection is still under way;
- on November 17, 2022, the Bank of Italy launched an inspection of the Group to assess compliance with the legislation governing the transparency of transactions and fairness in customer relations pursuant to Articles 54, 68 and 128 of Legislative Decree 385/1993; the on-site inspection was completed on March 7, 2023 and the inspection report is pending;

- on December 5, 2022, the European Central Bank launched an on-site inspection regarding IT risk in order to assess the management of IT operations, IT projects and IT security, including any complementary aspect relating to these issues; the on-site inspection was completed on February 22, 2023 and the draft inspection report is pending;
- on October 4, 2022 the European Central Bank announced the start of a "deep-dive" on the issue of forbearance, with a specific analysis of the adequacy of the policies, procedures and their implementation with forborne exposures, both in terms of risk management tools and accurate reporting and classification; the on-site inspection took place on November 30, 2022 and we are awaiting receipt of the final assessments from the supervisory authorities.

Finally, on January 4, 2023, notice was received from the European Central Bank announcing the start of an on-site inspection, which will be conducted at the Group level and address internal governance and risk management issues and any complementary aspect relating to these issues: the on-site inspection phase effectively started on March 14, 2023.

As part of its planning of supervisory activities, in particular its activities within the Supervisory Examination Program – SEP for 2023, the European Central Bank has also announced its intention to launch a further inspection of credit and counterparty risk during the third quarter of 2023.

Judicial seizure of BCC del Crotonese

On February 15, 2022, by ruling of the Court of Catanzaro, BCC del Crotonese (now merged into BCC della Calabria Ulteriore) was notified of application of an order of judicial administration of economic assets pursuant to Article 34 of Legislative Decree 159/2011 for a period of six months on the basis of alleged exposure of the bank to circumstances that would justify the application of judicial administration.

From investigations that concluded in February 2021, the Public Prosecutor’s Office alleged that the bank’s overall anti-money laundering safeguards had abetted customers and shareholders with a criminal history or involved, directly or indirectly, in the events that emerged as part of the inspection carried out by the Bank of Italy.

During the period between the end of the investigations and the notification of the court ruling (about one year), a series of remedial actions were put in place that made it possible to present to the directors and, through them (as part of the detailed report drawn up by them pursuant to Article 36 of Legislative Decree 159/2011), to the court an overall different picture from that which originally emerged from the inspection of the Bank of Italy. This made it possible to continue the merger, as already authorized by the supervisory authorities and initiated in 2021, which saw the merger of BCC del Vibonese, BCC del Crotonese and BCC di Cittanova into Banca del Catanzarese, thereby creating a new credit institution to serve the communities concerned.

On March 31, 2022, following the resolutions passed by the shareholders of the mutual banks involved in the merger, and in compliance with the measure of March 22, 2022, by which the Court of Catanzaro authorized the judicial administrators to complete the operation, the merger was formalized and, on April 11, 2022, the merger of BCC del Vibonese, BCC del Crotonese and BCC di Cittanova into Banca del Catanzarese became effective, changing its name at the same time to “Banca di Credito Cooperativo della Calabria Ulteriore – Società Cooperativa”.

Subsequently, with an order issued on April 13, 2022, the Court of Catanzaro ordered the continuation (on the surviving mutual bank) of the preventive measure previously adopted against BCC del Crotonese for the original period of six months (thereby expiring on August 15, 2022), while redefining the scope of the activities entrusted to the judicial administrators and granting them the necessary powers, without, however, assigning any managerial powers over the operations of the mutual bank and setting a hearing for October 17, 2022 to decide on the measures to be adopted pursuant to Article 34, paragraph 6, of Legislative Decree 159/2011 (i.e. revocation, renewal of the measure, or application of other preventive measures).

Subsequently, on October 7, 2022, the Court of Catanzaro notified the Bank of the decree with which the President of the Second Criminal Section ordered the postponement of the hearing, originally set for October 17, 2022, to February 20, 2023. The measure indicates that this decision was prompted by the large number of precautionary measures adopted (over two hundred) in the recent operations of the Public Prosecutor's Office in the local area, which have burdened the Second Criminal Section of the Court with further and undeferrable duties concerning the review of the positions of the defendants. Hence the need to defer the discussion envisaged for the hearing of October 17, 2022.

With measure dated October 13, 2022, the President of the Court, in granting the request of the judicial administrators to bring forward the date of the hearing and, in any case, receive clarification concerning what to do pending a formal ruling on the preventive measure that expired on September 30, 2022, set October 18, 2022 as the date of the hearing to discuss the decision on the revocation, continuation or modification of the measure.

With the hearing held on October 18, 2022, based on the report filed by the judicial administrators on October 10 and the arguments of the Public Prosecutor, despite the vigorous arguments of the defense, which, based on the report of the parties involved (Iccrea Banca and mutual bank), requested the revocation of the measure, with decree of October 19, 2022, the Court of Catanzaro, citing the "need to complete the remedial procedures in progress", ordered the extension of the measure for a further 6 months (i.e. until April 21, 2023), setting the hearing referred to in Art. 34, paragraph 6, of Legislative Decree 159/2011, for April 17, 2023.

Environmental, Social and Governance (ESG) and climate change

The Group actively works to act as a banking engine of sustainable and socially inclusive change in the development models of local communities, in order to strengthen the social role in the territories in which it operates through the affiliated mutual banks and, together with the latter, promote a positive social impact and a sustainable transition.

Reviving its historical identity, the Group has embarked on an evolutionary journey designed to achieve the progressive integration of ESG factors into corporate processes, which includes a component focused on the numerous and complex regulatory compliance actions and initiatives of a strategic nature and the provision of customer support.

As regards the regulatory component, a challenging n planning program - the ESG Program - was undertaken at the end of 2021 to target the integration of ESG factors in all banking processes, in line with the new regulatory requirements and above all with the expectations of the supervisory authorities. Our governance, strategy, lending, investment and financial services processes have been especially affected, as have risk management processes. All actions under way have been developed at the Group level while including the mutual banks in the process.

With regard to the strategic component - given the growing attention of the market (investors and consumers) to sustainability issues and the consequent impact on the strategic positioning of companies - the Group has developed its 2022-2024 Sustainability Plan, which is integrated into the Group’s three-year Strategic Plan, which envisages 13 macro-objectives and 74 targets along the 3 sustainability drivers (E, S and G).

On both strands - regulatory and strategic – in 2022 the Group continued its progressive evolution on the sustainability front by directing the initiatives to integrate ESG factors into corporate processes with ever greater effectiveness.

The Group's close attention to sustainability issues led to an increase in the Sustainability Rating awarded by Moody's Analytics, from A2 to A1 (on a scale from D3 to A1) in January 2023. The evaluation – which brings the overall score to 60/100 (Advanced), an increase of 4 points on the previous evaluation – reflects the Group's close attention to the integration of ESG factors into the strategy, operations and risk management processes.

Group regulatory initiatives – the ESG Program

With regard to supervisory expectations and the increasing attention paid by external and internal stakeholders to issues relating to Environmental, Social and Governance (ESG) issues, the Group has developed a multi-year program to bring together the numerous initiatives launched by the Group to comply with relevant provisions within the overarching context of governance, designed to ensure the optimal management of cross-functional connectivity and synergies and at increasing standardization.

The program is divided into thematic work streams based on the expectations of the ECB, as discussed below:

Governance – Business Strategy – Organizational Structure – Disclosures, which includes efforts aimed at developing the governance and organizational structure as it concerns ESG issues, as well as the functional actions needed to integrate ESG factors into strategic and operational planning and to update the system of disclosures to stakeholders.

As concerns corporate governance and internal organizational arrangements, the ESG Committee was set up within the Board of Directors in April 2022. It plays a proactive and advisory role for Board with regard to issues relating to sustainability and the identity of mutual banking, working in close collaboration with the Risk Committee and the Remuneration Committee in order to ensure the adoption of a holistic approach to the integration of ESG factors into corporate processes. Corporate governance policies have also been updated in order to focus the Board’s actions on issues relating to sustainable finance, to strengthen the ESG competencies of the directors, and to introduce diversity and inclusion issues as defined by current laws and regulations. In terms of the organizational structure: i) the central unit dedicated to the coordination of ESG issues as they concern strategy and disclosures was reinforced; ii) a unit dedicated to ESG risks was created within the Risk Management function, the Compliance function and the Internal Audit Function; iii) a sustainability policy has been established at the Group level that sets out the overall governance, management, control and disclosure structure and defines the principles and guidelines aimed at ensuring the stable, effective and complete management of the Group’s sustainability model; iv) the sustainability policy on investments, which outlines the Group’s commitment to the integration of environmental, social and governance factors into decision-making processes relating to the provision of investment and advisory services on investment or insurance, has been updated; v) given the need to ensure close cooperation with the Group companies, both in the area of strategic ESG planning and in disclosure processes, an ESG Ambassador has been designated to work – in each area of the Parent Company and in each company of the Group – as a focal point for ESG issues in coordination with the central Sustainability function.

With regard to strategy, the project contains a priority initiative to reorganize the Group product catalog with the introduction of taxonomy-aligned products and is responsible for drafting guidelines for the affiliated banks setting out the principles and rules for structuring credit products that are compliant with the new regulatory environment.

Finally, as concerns the disclosure process, the project includes dedicated programs for developing the operational and control mechanisms and processes within the current reporting system throughout the scope covered by applicable legislation (Corporate Sustainability Reporting

Directive), contemplating the potential evolution of TCFD reporting (Task Force on climate related Financial Disclosure) towards taxonomy KPIs (GAR and BTAR). This project area also includes streams dedicated to the collection and governance of ESG data, i.e. datasets for the preparation of all material called for under ESG guidelines and regulations.

Risk Management, which includes all the activities functional to the assessment and integration of ESG risks, and of climate and other environmental risks in particular, within the Group's overall Risk Management and Risk Governance Framework.

During the year, the Group entered into a partnership with a leading external, specialist supplier aimed at providing system-specific information relating to the new types of risk (i.e. transition risk and physical risk) and methodological approaches to determining key risk indicators (KRIs) used to measure the overall positioning of the Group and of the companies concerned in terms of potential exposure to climate and other environmental risks.

The transition-risk assessment approach calls for the integration of quantitative components and judgments with the aim of including elements that otherwise could not be captured. The physical-risk assessment approach calls for an analysis of the risk of the area to which the companies and real estate belong, based on their geographic location, making use of public sources of data and analyzing certain risk events, such as flood risk, landslide risk and seismic risk.

In the last quarter of 2022, the Risk Management function prepared a policy governing the first system for identifying and assessing climate and other environmental risks and the associated methodology annex containing the operational/methodological specifications underlying the assessment of physical and transition risk for corporate counterparties and for the real estate being used as collateral and the repossessed properties of the Group. The results of the application of the model have been incorporated in a consolidated materiality assessment of the Group's initial positioning with respect to climate and other environmental risks (for first-time application, specifically related to counterparty transition risk and physical risk) and in a separate materiality assessment reporting the positioning of the companies within the direct scope and the affiliated banks in respect of those risk categories.

During the year, work also began on the progressive integration of climate and environmental risk into the traditional risk management process (for credit, operational and business continuity, market and liquidity risk) and within the Risk Governance Framework (ICAAP, RAS and Recovery Plan).

Climate Stress Testing (CST). In line with the ongoing process of integration involving the broader Risk Management Framework, this work stream includes activities aimed at integrating climate and other environmental factors/risks within the stress testing system defined and adopted by the Group to support climate-risk stress testing (CST) for both regulatory and management purposes. The CST carried out by the ECB ended in July 2022 with delivery of the individual report with the results expressed by the authority for each test module and publication of the aggregate results of all participating banks. Participation in the CST and receipt of the ECB feedback has made it possible to better qualify and direct efforts to enrich the information needed to properly identify and integrate climate and other environmental factors within the CST management framework, the activities of which are currently being defined and developed and will extend over a multi-year time horizon.

Lending. During 2021, the Group embarked on the process of gradual organizational and procedural upgrading to integrate ESG factors into the Group's lending credit processes and strategies through i) the design of a framework for integrating ESG assessments in lending processes, using qualitative and quantitative information on counterparties and ii) the development of a process and a framework of rules making it possible to determine, on the basis of a set of specific indicators including ESG risk drivers, the loan approval strategies that individual affiliated banks can apply when lending to counterparties.

This effort continued during 2022 and saw the Group achieve an initial update of the Group's system of lending rules with the introduction of sustainability-related rules and begin the IT implementation developments necessary to ensure the full alignment of Group lending processes and rules with regulatory provisions governing ESG matters.

Investment Services and Finance. The new European regulations governing sustainable finance have led to significant regulatory and procedural adjustments within the Group. More specifically, the most recent regulatory changes introduced to MIFID II with Commission Delegated Regulation (EU) 2021/1253 and Commission Delegated Regulation (EU) 2021/1257 regarding the integration of sustainability factors in the ESG area, which took effect from August 2, 2022, have made it necessary to integrate customer sustainability preferences into customer assessments.

To achieve the regulator's objectives, the strategy adopted by the Group was developed as follows:

- the supplementation of the profiling questionnaire with new questions to collect sufficiently granular information from customers on their sustainability preferences. Following completion of the corresponding section, the customer is assigned a "sustainability profile" (which can be "neutral" or "interested");
- the mapping of sustainable products and the development of models for defining ESG scoring, which may include the use of external providers for data integration and the final evaluation of the sustainability score;
- the integration of sustainability factors into distribution and advisory processes using an approach based not only on the traditional financial criteria of adequacy, but also on the consistency of the sustainability preferences expressed by customers in the context of the service models offered through the provision of a new "sustainability check";
- the modification of pre-contractual and contractual disclosure forms in order to provide customers and potential customers with the information on sustainability required under the new framework.

From a technical-operational point of view, the changes concerned:

- modification of the target market with the introduction of a new variable linked to sustainability (Annex D of the Group Product Management Policy);
- the supplementation of the profiling questionnaire (Annex E of the above Group Policy) with new questions to collect sufficiently granular information from customers on their sustainability preferences. Following completion of the corresponding section, the customer is assigned a "sustainability profile" (which can be "neutral" or "interested");
- the mapping of sustainable products (Annex F of the above Group Policy) and the development of models for defining ESG scoring, which may include the use of external providers for data integration and the final evaluation of the sustainability score;
- the integration of sustainability factors into distribution and advisory processes (Annex G of the above Group Policy) using an approach based not only on the traditional financial criteria of adequacy, but also on the consistency of the sustainability preferences expressed by customers in the context of the service models offered through the provision of a new "sustainability check";
- the governance of the functional methodology for assigning a sustainability score (Annex I of the above Group Policy) to the financial products distributed to the customers of the Affiliated Banks.

Furthermore, as part of the management of conflicts of interest, the sustainability preferences of customers were supplemented with the specification of appropriate provisions to ensure the inclusion of ESG factors in the advisory process in order to prevent mis-selling and avoid causing harm to customers, with a consequent updating of the current Group Policy on the matter and the associated mapping.

2022-2024 sustainability plan

An integral part of the Group's three-year Strategic Plan is the 2022-2024 Sustainability Plan, which is organized around 13 objectives and more than 70 targets broken down by their relevance for environmental, social and governance issues.

ENVIRONMENT

A1. Efficiency enhancement
A2. Emissions reduction A3. Dematerialization

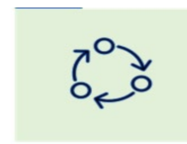
SOCIAL

S1. Territorial development
S2. Human resources
S3. Third sector

GOVERNANCE

G1. Female talent
G2. Governance & Policy

TRANSVERSAL



T1. ESG communication
T2. ESG disclosure
T3. Sustainable finance
T4. Digitalization
T5. ESG risk measurement tools

For the purpose of monitoring actual implementation of the planned initiatives for each objective, key performance indicators have been defined in order to assess the state of progress and effectiveness of actions, distinguished into implementation, process and result KPIs.

The main actions are those intended to strengthen the governance of sustainability, a key factor in the transformation process. In this regard - in addition to the interventions implemented within the scope of the ESG Program to strengthen the action of the Board of Directors through: i) the establishment of an internal Board Committee dedicated to sustainability and ii) modifications to the organizational structure - the 2022-2024 Sustainability Plan envisages a challenging training program to disseminate the sustainability culture at all levels of the organization, providing a background on the new regulatory context and increasing the Group's role as advisor in relationship with customers.

As regards the environmental component, the planned actions are intended to gradually reduce carbon dioxide emissions, in part by increasing the energy efficiency of workplaces and through actions in the area of mobility. Other initiatives are aimed at reducing the amount of paper consumed by making greater use of dematerialization. Also of note is the creation of an initial Energy Community, which was funded by an affiliated bank (BCC Calabria Ulteriore). The project involves the use of renewable energy and has reduced the cost of the supply of energy, thereby joining environmental protection objectives with social support for the community involved.

With regard to the social component, in line with the mission that has historically distinguished the work of the mutual banks to support local communities, the Sustainability Plan envisages, among other things, customer support initiatives. The economic-social context in which our customer companies operate is undergoing a significant transformation: on the one hand, customers' purchasing habits are changing profoundly, increasingly preferring sustainable products and services, while, on the other, the banking system is being driven to modify its processes, including its lending approach, by favoring sustainable counterparties and, above all, initiatives. This is also a consequence of taxonomic "ratios" – including the GAR (Green Asset Ratio) - which banks will gradually have to develop for their stakeholders. In this context,

the Iccrea Cooperative Banking Group has set itself the goal of being a driver of change: in addition to adopting the new culture directly, the Group – thanks to its historic mission – is optimally positioned to lead the transformation, accompanying companies in the creation of a more resilient and sustainable system.

This is why the Sustainability Plan envisages a primary support initiative for SMEs, the main elements of which are:

- information and training in ESG issues by organizing targeted events on sustainability, developing training packets for customers, and training Group employees, with a specific focus on those involved in customer relations;
- ESG positioning analysis and transition plan by providing business accounts with a qualitative/quantitative assessment of their level of maturity with respect to sustainable environmental, social and governance practices, at the end of which a plan is proposed to improve their ESG performance in support of an adjustment in strategy and operations;
- financial support and advisory services, a final step in facilitating the use of the financial necessary for the implementation of the corrective measures necessary for the activation of the sustainable transition.

Since its approval, the 2022-2024 Sustainability Plan has been subject to close monitoring, which has shown how initiatives have been activated and are continuing essentially in line with the planned trajectory. As part of the strategic planning process, an update of the Plan is now under way - with a horizon of 2023-2025 – in order to identify actions that increasingly leverage our historical role in supporting families and businesses, with the awareness that companies that do not embark on a path towards sustainability are destined to have an uncertain future. Our mutualistic action is aimed at creating the conditions for a stable, prosperous and sustainable future, working through the affiliated banks to provide our customers with the skills, support and tools they need to cope with the new environment.

8. ICAAP (INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS) AND ILAAP (INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

During the year, the activities relating to the application of the Internal Capital and Liquidity Adequacy Assessment framework (ICAAP and ILAAP) were carried out and completed.

More specifically, the ICAAP and ILAAP processes have been implemented in all their respective phases - i.e. risk identification, risk measurement and assessment in both baseline and adverse scenarios, self-assessment, etc. – and providing for the assessment and certification of capital adequacy (Capital Adequacy Statement - CAS) and liquidity adequacy (Liquidity Adequacy Statement - LAS).

The analyses conducted to assess adequacy were developed in line with the "ECB expectations towards banks ICAAP/ILAAP packages for SREP 2022" received in January 2022 and with the other specific requests/expectations communicated by the supervisory authorities. The latter include interventions carried out to ensure: i) the initial inclusion of climate and environmental risks for ICAAP/ILAAP purposes (with particular regard to transition and physical risks for specific customer segments/asset classes) in the risk assessment phases (risk mapping) and analysis in adverse conditions from a regulatory perspective; and ii) the expansion of capital and liquidity adequacy analyses with sensitivity analyzes to incorporate the possible direct and indirect impacts/implications of the Russia-Ukraine conflict.

The results of the analyses and assessments conducted were formalized in the Group "ICAAP and ILAAP package", approved by the Board of Directors of the Parent Company and submitted to the supervisory authorities at the end of April 2022.

At the consolidated level, the assessments conducted within the ICAAP in the various perspectives considered (regulatory/internal and economic) showed compliance with overall capital adequacy requirements over the entire time horizon of the baseline scenario. In particular, with regard to the regulatory/internal rules perspective:

- the CET1 ratio and Total Capital ratios, in both the phase-in and fully-loaded versions, are positioned stably above the regulatory thresholds and in the main risk governance processes (i.e. Risk Tolerance and Risk Capacity), with substantial capital buffers over the entire time horizon considered. In particular, the analyses show that at the end of 2024, in the baseline scenario:
  - for the CET 1 ratio, the capital buffer over OCR+P2G stands at around €4.1 billion in the phase-in version and around €4 billion in the fully loaded version, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €3.5 billion in the phase-in version and about €3.3 billion in the fully-loaded version;
  - for the Total Capital ratio, the capital buffer over OCR+P2G stands at around €2.4 billion in the phase-in version and around €2.2 billion in the fully-loaded version, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €1.8 billion in the phase-in version and about €1.6 billion in the fully-loaded version;
- the leverage ratio, in both the phase-in and fully-loaded versions, is positioned stably above the thresholds envisaged at the regulatory and management levels, with sizeable buffers over the horizon considered. More specifically, the analyses performed showed that at the end of 2024, in the baseline scenario, the capital buffer over the minimum regulatory requirement stood at about €6.8 billion in both the phase-in and fully-loaded versions, while the capital buffer with respect to the Risk Tolerance threshold is equal to about €4.2 billion in both the phase-in and fully-loaded versions;
- the regulatory MREL indicators (MREL and MREL subordinated calculated on the basis of overall risk exposures and overall leverage exposures), both in the phase-in and fully-loaded versions, are positioned above the targets set in the 2022 MREL decision over the time horizon.

With regard to the economic perspective, the key indicator (Risk Taking Capacity[14]) shows that our capital determined on a going concern basis is amply sufficient to absorb potential unexpected losses on the Group's exposures. In particular, the analyses show an indicator of 152.5%, giving a capital buffer of around €3.4 billion to cover potential unexpected losses on the Group's exposures.

The assessments conducted using the integrated approach between the various perspectives in adverse conditions showed compliance with overall capital adequacy requirements at the consolidated level over the entire time horizon. In particular, given the adoption by the Group of sufficiently severe but plausible adverse scenarios, which could produce a significant deterioration in its capital position:

- the CET1 ratio and Total Capital ratio indicators, both in the phase-in and fully-loaded versions, exceed the thresholds envisaged at the regulatory level for "Total SREP Capital Requirements - TSCR" and the "Overall Capital Requirement - OCR" over the entire the time horizon. In particular, the analyses conducted show that at the end of 2024, in an adverse scenario:
  - for the CET 1 ratio, the capital buffer over TSCR stands at about €2 billion (in both the phase-in and fully-loaded scenarios);
  - for the Total Capital ratio, the capital buffer on the threshold level of TSCR stands at around 0.4 billion (both phase-in and fully-loaded scenario).
- the leverage ratio indicator, both in the phase-in and fully-loaded version, exceeds regulatory and management thresholds even in adverse scenario;

[14] The indicator is given by the ratio between the amount of capital resources readily available to absorb unexpected losses while preserving business continuity (Total Capital - TC) and the value of Total Internal Capital - TIC estimated internally for all relevant measurable risks for both first and second pillar aggregated through a "building block" type approach. The associated value is compared with the management threshold of 100%.

The assessments conducted for the ILAAP showed that for the entire time horizon the overall liquidity profile of the ICBG is adequate in the short and medium-long term, taking into consideration both normal operating conditions and adverse conditions. In particular, the estimated evolution of the LCR and NSFR indicators over the period of the plan did not reveal any critical issues in terms of the adequacy of the operational and structural liquidity profiles, as:

- in the baseline scenario, the LCR and NSFR indicators exceed the regulatory and management thresholds (i.e. Risk Tolerance and Risk Capacity) over the time horizon considered. More specifically, the analyzes show that at the end of 2024 the LCR stands at 229% and the NSFR at 136%;
- in the stress scenario, given the adoption by the Group of sufficiently severe but plausible adverse scenarios, which could produce a significant deterioration in its liquidity position, the LCR exceeds the regulatory levels and maximum risk allowed over the time horizon considered, standing at 148% at the end of 2024. The NSFR exceeds the regulatory and management levels (i.e. Risk Tolerance and Risk Capacity) over the time horizon considered, standing at 122% at the end of 2024.

Furthermore, to complete the ICAAP & ILAAP analyses and in line with the specific expectations of the supervisory authorities, the Group conducted additional sensitivity analyses of the capital and liquidity profiles to incorporate the possible direct and indirect impacts/consequences of the Russia-Ukraine conflict and assess the degree of capital adequacy and liquidity. Notwithstanding the high level of uncertainty regarding possible developments and the consequent repercussions that they could have on macroeconomic conditions, the analyses conducted did not reveal any significant vulnerabilities for the Group as a whole.

9. MAIN RISKS AND UNCERTAINTIES

Geopolitical crisis and outlook

As already underscored in section 2 of this report, which provides an overview of the macroeconomic environment and the main risks connected with geopolitical developments, the global economy is experiencing a period of profound uncertainty. Russia's attack on Ukraine is having serious repercussions on manufacturing output and trade and is driving inflation, which, particularly in Europe, reflects a continuation in the extraordinary increase in the price of energy and, to a lesser extent, of food. The European Union (EU) and international partners immediately reacted to this grave violation of Ukraine's territorial integrity, sovereignty and independence by imposing sanctions, which were also directed against Belarus for its role in aiding Russian military aggression. Additional measures were taken in the weeks and months that followed, and more may be taken as the situation evolves. For its part, Russia decided to adopt some restrictive economic countermeasures and to deliberately use gas flows to the EU as a weapon.

The Russian military aggression against Ukraine and its direct and indirect impacts, such as the sanctions imposed and the countermeasures adopted, have had and will continue to have economic repercussions throughout the internal market, directly or indirectly affecting EU companies. These consequences take the form of a contraction in demand, disruption of existing contracts and projects - with a consequent loss of turnover - the disruption of supply chains, particularly with regard to raw materials and products requiring assembly of components or the unavailability or financial unsustainability of other production factors.

The geopolitical crisis has, first of all, driven up the prices of gas and electricity to unprecedented levels, well above the already high levels observed in the period before the invasion. Russia's deliberate use of gas as a weapon has created significant volatility and uncertainty in EU and global energy markets. High energy prices have had and still have an impact on several economic sectors, including some of those most severely affected by the COVID-19 pandemic, such as transport and tourism. Although the EU and its Member States have taken many timely measures to deal with high prices and secure energy supplies, the persistence of high energy prices is hurting the economy and the purchasing power of EU citizens, especially the most vulnerable.

More generally, the Russian aggression against Ukraine has directly resulted in the disruption of supply chains for imports to the EU of certain products of Ukraine, in particular grains and vegetable oils, as well as for exports of products from the EU to Ukraine. The supply of some crucial products is tight due to the military action and economic countermeasures taken by Russia. These are specific sectors where limited supply carries the risk of a causing a substantial reduction in industrial production, despite the ongoing substitution of supply. The impact has also been felt in global financial markets, particularly with regards to liquidity and market volatility in commodity trading. Russia's aggression against Ukraine has also led to the significant displacement of Ukrainian citizens both within the country and to neighboring countries, resulting in an unprecedented influx of refugees into the EU, with severe humanitarian and economic consequences.

The geopolitical crisis caused by Russia's invasion of Ukraine also has particularly serious repercussions on the agricultural, food processing, fisheries and aquaculture sectors in the EU. High energy prices translate into high fertilizer prices. Fertilizer supplies to the EU are also affected by restrictions on imports of these products into the EU from Russia and Belarus. The crisis has had serious consequences for EU supplies of cereals (particularly maize and wheat) and oilseeds (sunflower, rapeseed) or starch derivatives from Ukraine and Russia, producing a sharp temporary increase in animal feed prices. The combined impact of cost increases in energy, fertilizers, cereals and oils affects the livestock sector in the EU most strongly. Ukraine is also a major producer and exporter of vegetable oils (especially sunflower oil): the price increases of these products have an impact on the food processing sector.

Also of concern is the disruption of trade in EU products with Ukraine, as well as with Russia and Belarus due to the war or its direct or indirect repercussions. This has mainly impacted wine and spirits, processed food (including fruit and vegetable products), chocolate, confectionery products, baby food and pet food in the case of Russia, and the fruit and vegetable sectors in the case of Belarus and most agricultural products in the case of Ukraine.

The situation has been aggravated by the sharp increase in production costs, partly due to the increase in the cost of nitrogen fertilizers as a result of the enormous increase in the price of gas, but also by the direct use of energy in agricultural production, fisheries and aquaculture.

Energy-related fiscal measures will buoy economic growth in 2023. However, this development is offset by the discontinuance of early COVID-19-related support measures. The recent strengthening of fiscal measures in euro-area countries to offset the impact of high energy prices and inflation has offset the effect of other discretionary measures, in particular due to the termination of earlier measures related to the COVID-19 crisis and the recovery, meaning that discretionary fiscal policy actions had a broadly neutral impact on growth in 2023.

With uncertainty high and consumer confidence near historic lows, the excess savings accumulated during the pandemic – of which less than half are liquid and mostly concentrated among wealthier households – can mitigate the impact of adverse shocks on real income.

The European Central Bank has estimated that economic growth will go from 3.4% in 2022 to 0.5% in 2023, held back by high inflation, uncertainty and the low level of consumer and business confidence. As energy markets rebalance, supply bottlenecks are resolved and external demand strengthens, growth will pick up to 1.9% in 2024 and 1.8% in 2025.[15] In an environment where the energy shock resulting from the war in Ukraine propagates through the economy, with uncertainty and high inflation, as well as production cuts in energy-intensive sectors, it is likely that persistent energy prices will increase poverty and affect the competitiveness of businesses. Such cost increases may in some cases threaten the continued operation of otherwise viable EU firms, with likely consequences for employment. In terms of future

[15] Macroeconomic forecasts for the euro area have been preparted by the ECB.

prospects, the geopolitical crisis triggered by Russia's aggression against Ukraine and the use of energy supplies as a weapon make it even more urgent for the EU to reduce its dependence on fossil fuels by accelerating the use of renewable energy, the decarbonization of industry and capacity building in strategic sectors for the transition to a net-zero-emissions economy, also in consideration of global problems that increase the risk that new investments in these sectors will be diverted to countries outside the European economic system.

Given all of the above, the risks and uncertainties of the global environment remain significant.

Independent of the new situation that has emerged, the Group is paying close attention to the timely assessment and adoption of measures to contain the potential impact of the various risks and uncertainties on our operations and to the consequent adaptation of strategies as the current landscape evolves. These risks and uncertainties are also subject to constant observation through our framework of risk policies, the updating of these policies, and monitoring efforts aimed at verifying their implementation and adequacy.

Within this constantly evolving environment, excluding any potentially extreme escalations of the conflict that could lead to outcomes that are difficult to assess at present, the Group, in facing this challenging economic context, is nonetheless operating on a more than adequate foundation of capital resources[16] and appears to be fully capable of ensuring compliance with regulatory requirements and the more stringent limits that have been set internally.

As always, more detailed information on risks in general, and on financial risks (credit risk and market risk) and operational risks more specifically, is provided in the relevant sections of Part E of the explanatory notes.

As regards capital soundness, on the other hand, see the information provided the section specifically dedicated to capital and capital adequacy. Additional details are also provided in conjunction with updates to Basel 3 third-pillar disclosures.

Finally, as regards the going-concern assumption, the directors affirm that they are reasonably certain that both the Company and the Group will continue as a going concern into the foreseeable future and, consequently, the annual report at December 31, 2022, has been prepared in accordance with this assumption. It should be noted in this regard that no evidence has been found in the consolidated financial statements or in the operating performance of the Group that could give rise to uncertainty concerning the going-concern assumption.

[16] At December 31, 2022, the ratio of the highest quality capital to risk-weighted assets (the CET1 ratio) was 17.8%.

10. OTHER SIGNIFICANT INFORMATION

Iccrea rating

Despite the uncertainty of market conditions, the rating agencies conducted an annual review of their ratings, increasing those for the Parent Company and the Group. More specifically:

- on February 1, 2023, Fitch Ratings raised its rating of the medium/long-term debt of Iccrea Banca and the Group from "BB-" to "BB+", with a "stable" outlook;
- on Novebmer 23, 2022, S&P Global Rating raised its rating of the medium/long-term debt of Iccrea Banca and the Group from "BB" to "BB+", keeping the outlook at "stable".
- on November 28, 2022, DBRS Morningstar confirmed its rating of the medium/long-term debt of Iccrea Banca at "BB (high)", revising the outlook from "stable" to positive.

These increases reflect the significant improvement in the Group's asset quality (thanks to the implementation of the risk reduction strategy and NPE disposal plan), the strengthening of its capital position and the maintenance of a sound liquidity position, as well as the progress achieved in improving the operating and business model.

Treasury shares

At December 31, 2022, Iccrea Banca S.p.A. did not hold any treasury shares.

EWS and mutual banks under administration

During 2022, the Early Warning System continued to continuously monitor the risk profile of the affiliated banks and the related quarterly reporting to the corporate bodies. These activities found that the affiliated banks exhibited overall balance in their financial position, performance and operations. Affiliated banks that reveal imbalances undergo the procedures envisaged in the Cohesion Contract, which provide for the definition of rebalancing and de-risking initiatives. More specifically, mutual banks under administration or similar arrangements are the subject of specific directives containing the remedial actions and plans to be adopted or the cure objectives to be achieved in order to improve their risk profile. On the basis of the assessment of the technical situation conducted as at September 30, 2022, seven affiliated banks are considered to be in an overall "critical" risk situation. For these banks, positioning gaps are mainly attributable to profitability and structural efficiency and to the overall structure in the "Internal Governance & ICS" area. For the affiliates in question, following the preliminary evaluation and decision-making phase (CIBA and Board of Directors) conducted by the Parent Company, appropriate corrective measures have been defined and are being implemented.

Main characteristics of the risk management and internal control systems with regard to the financial reporting process (Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Financial Intermediation (TUF)

The control activities and processes relating to the generation of the information required for the preparation of the financial reports (annual and interim financial statements) are an integral part of the Bank's general control system for managing risks. While noting that no internal control system can entirely eliminate the risks of error or fraud, but can only measure those risks and lessen the likelihood of occurrence and mitigate the effects, these features seek to provide a reasonable guarantee of the veracity, accuracy, reliability and timeliness of financial reporting.

The control system is based upon two primary guidelines.

- information is entered into the accounting system automatically, semi-automatically and manually by a large number of units within the bank, whose transactions are handled by different subsystems. The line control processes are therefore incorporated either into IT and management procedures for transactions or assigned to specially-formed units. Organizational procedures assign the duties of verifying the accounting records to the heads of the organizational units. Second-level controls are performed by the organizational unit responsible for managing the general accounts and preparing the annual and interim reports. Controls are performed daily, weekly or monthly depending upon the type and frequency of the transactions processed.
- the valuation components that have the greatest impact on the financial statements are delegated to specialized structures. The data relating to the fair value of balance sheet items, in addition to those for hedging relationships and the related effectiveness tests, are supplied by specialized structures equipped with appropriate calculation tools. The data are then re-examined by the Risk Management unit and the Administration unit of the Parent Company. Data concerning the classification and measurement of non-performing loans are provided by highly specialized, appropriately separated structures that operate on the basis of detailed procedures approved by the Board of Directors.

The annual consolidated and interim financial statements are audited by Mazars Italia S.p.A., which also conducted an accounting review pursuant to Article 14 of Legislative Decree 39/2010.

Regarding the "Transparency Directive", the Parent Company has elected Luxembourg as its home Member State, since most of its securities have been issued on that country's exchange. For this reason, given that the relevant legislation does not require it, no Financial Reporting Officer (as provided for in the Consolidated Law on Financial Intermediation) has been appointed.

Transactions with related parties

Group policy for the management of conflicts of interest and transactions with related parties governs the management of conflicts of interest in respect of transactions with related parties, decisions within the scope of application of Article 136 of the Consolidated Banking Act and Article 2391 of the Italian Civil Code, loans granted to company officers and their related parties pursuant to Article 88 of the CRD-V Directive, transactions whose counterparties are senior personnel and, where applicable, conflicts of interest connected with the application of the Early Warning System. The policy establishes the responsibilities of the companies subject to the management and coordination of the Parent Company, creating management arrangements consistent with the regulations established by the Bank of Italy while at the same time serving the Group's organizational and corporate structure.

With particular regard to transactions with connected parties, the policy underscores the obligation to comply with the limits on exposures to connected parties established in prudential supervisory regulations and lays down specific evaluation, decision-making and reporting procedures that involve, where necessary, the TCP committees set up within the companies of the banking group.

In addition, decision–making procedures have been tailored to the risk level of the transactions involved. Since the materiality threshold envisaged under supervisory regulations is 5% of consolidated own funds, a lower threshold, equal to 5% of the individual own funds of the Bank, has been established to identify significant-value transactions of lesser importance for which the enhanced decision-making process should be activated.

In order to streamline the procedures for low-risk transactions, the Policy fully exempts certain operations from the decision-making and disclosure procedures, including the low-value transactions, transactions connected with guarantee interventions, the centralization agreements between the affiliate banks and the Parent Company and the intercompany service agreements governed by the Group rules if their value classifies them as being of lesser importance. Although the materiality threshold would be €1 million on the basis of the applicable legislation for all entities of the ICBG, lower thresholds have been set in relation to the type of company and the amount of own funds.

During the period, there were no transactions with connecting parties approved by the deliberating body despite an adverse opinion of the TCP Committee.

In order to strengthen the oversight of this type of transaction and ensure the continuous monitoring of developments and the total value of exposures in relation to the limits established by the Parent Company - on the occasion of the annual update of the Group Risk Appetite Statement - the scope of the indicators included therein was expanded by introducing, among others, an indicator measuring exposures to related parties and connected parties, operationally implemented at both a consolidated level and the individual level of the Group banks.

The results of the monitoring activities are included in the periodic reporting to the corporate bodies produced for RAF/RAS purposes on a quarterly basis.

As far as transactions with related parties are concerned, during the period no positions associated with atypical or unusual transactions whose significance or scale might have raised concerns about the integrity of the company's financial position were undertaken.

Part H – "Transactions with related parties" in the notes to the financial statements provides information on the remuneration paid to key management personnel and loans and guarantees granted, in compliance with Article 136 of the Consolidated Banking Act.

11. SUBSEQUENT EVENTS

Merger of Coopersystem into Federazione Toscana

On March 27 and 28, 2023 the boards of directors, respectively, of Coopersystem S.C. and the Federazione Toscana, approved the merger of Coopersystem SC into Fondazione Toscana. The plan will be submitted to their respective extraordinary shareholders' meetings on April 18, 2023, with the merger expected to become effective within the first half of 2023. From the effective date of the merger, Coopersystem will exit the scope of the Group, with its consequent cancellation from the Register of Banking Groups.

Banking crises

With regard to the recent events that occurred during the first half of March 2023 concerning the crisis of two US banks and, subsequently, of the Swiss bank Credit Suisse, note that the Group has 6 derivative contracts (interest rate swaps) entered into between 2008 and 2012 and expiring between 2023 and 2043, subject to bilateral netting. These transactions currently have a total negative mark-to-market for the Group of €0.99 million.

With regard to transactions in derivatives and treasury operations with the Credit Suisse Group, Iccrea Banca has limits totaling €45 million, with drawdowns as at March 23, 2023 of €0.69 million (of which €0.30 million in respect of derivatives and the remaining €0.39 million in respect of treasury transactions).

Furthermore, with regard to the Group securities position, the latest available report shows three mutual banks holding with three bonds for a total of €4.5 million, of which €2.5 million classified as HTCS (with an MTM of €2.1 million) and €2 million classified as HTC.

Finally, it should be noted that the Group does not have any exposures in either securities or loans to Silicon Valley Bank or Signature Bank.

Outlook for operations

The new macroeconomic environment, characterized, as we have seen, by geopolitical tensions appears complex and presents financial intermediaries with new challenges, but also significant opportunities.

A slowdown in the growth of household financial wealth and the recomposition of liquidity are expected for financial intermediaries, with nominal growth in bank lending supported by higher inflation. The acceleration of rate increases by the ECB should make a significant contribution to the traditional profitability of banks, with net interest income resuming significant growth, especially in 2023. The dynamics of fee and commissions from indirect funding are expected to be less favorable, with continued growth being penalized by the effect of high inflation on household purchasing power. Credit risk is increasing, but to a lesser extent than experienced in other crises, as are pressures on operating costs, reflecting price pressures and the growing need for investment in technology and human capital necessary to continue the digital and green transformation. Efficiency improvements remain crucial for the sector. In short, the boost that the rate increase will impart to net interest income should counter the greater pressures on the cost of risk and on operating costs, fostering a significant reduction in the cost/income ratio and an improvement in the sector’s ROE in the medium term.

In that context and consistent with its strategic priorities, the Group confirms the strategic importance of its derisking objectives, which will also be pursued by giving further impetus to the “ordinary” activities of managing impaired and defaulted positions. This effort will also involve taking advantage of appropriate market opportunities to dispose of portions of the non-performing portfolio, with the goal of further improving its asset quality indicators. For 2023, however, it is likely that the cost of risk will increase, albeit to an extent compatible with our profit targets.

The Group will also continue to implement actions to enhance profitability. The progressive decline in the effects of the expansionary monetary policy should be amply offset by the benefits of the growth in net interest income. While net interest income is forecast to be lower than in 2022, when it was supported by financial assets with returns linked to inflation, it is expected be positioned at structurally higher levels than those registered by the Group in recent years. Profitability will continue to be supported by initiatives to expand net fee and commission income and contain costs, including with the implementation of specific "cost strategy" initiatives and progress on the actions taken to rationalize the branch network, banks and companies within the direct scope of consolidation.

Also in 2023, the Group will continue to strengthen its capital position and issue financial instruments designed to safely ensure compliance with MREL requirements.

ATTACHMENT 1 - RECONCILIATION OF EQUITY AND NET PROFIT OF THE PARENT COMPANY WITH GROUP EQUITY AND NET PROFIT

€/thousands	SHARE CAPITAL	RESERVES	VALUTATION RESERVES	EQUITY INSTRUMENTS	NET PROFIT	SHAREHOLDERS' EQUITY
Iccrea Banca S.p.A. financial statements	**1,401,045**	**242,574**	**18,548**	**-**	**439,793**	**2,101,960**
Financial statements of fully consolidated company	1,005,517	9,397,113	(128,394)	30,139	1,383,791	**11,688,166**
Financial statements of companies accounted for using equity method		(21,506)	(82,366)		(6,137)	**(110,009)**
Elimination of Group company dividends		577			(577)	
Adjustment of intercompany writedowns (revaluations)		164,999			1,816	**166,815**
Goodwill		15,426				**15,426**
Other consolidation adjustments	(115,300)	(1,864,459)	(12,949)		(31,634)	**(2,024,342)**
Consolidated shareholders' equity	**2,294,842**	**7,954,586**	**(205,160)**	**30,139**	**1,796,109**	**11,870,517**
Non-controlling interests	**3,580**	**19,863**	**1**		**9,057**	**32,501**
Group shareholders' equity	**2,291,262**	**7,934,724**	**(205,161)**	**30,139**	**1,787,052**	**11,838,016**

ATTACHMENT 2 - ALTERNATIVE PERFORMANCE MEASURES

Pursuant to Article 16 of Regulation (EU) 1095/2010, the European Securities and Markets Authority (ESMA) has issued a series of guidelines on the criteria for the presentation of Alternative Performance Measures (APMs). APMs are defined as indicators of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs are generally derived (or are based) on the financial statements prepared in accordance with the applicable financial reporting framework. This type of measure is included by European issuers in their regulated information, therefore including the Report on Operations, when these measures are not defined or provided for by the financial reporting framework. These guidelines are intended to promote the usefulness and transparency of the APMs, in such a way as to adopt a common approach to the use of these measures, with improvements in terms of comparability, reliability and understandability and consequent benefits for the users of financial information.

Measures published in application of prudential rules, including the measures specified in the Regulation and the Directive on capital requirements (CRR/CRD IV), physical or non-financial indicators, and social and environmental indicators are not strictly included in the definition of APM.

Iccrea Banca draws up its consolidated financial statements, in application of Legislative Decree 38 of February 28, 2005, in accordance with the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission, as established by Regulation (EC) no. 1606 of July 19, 2002using the formats and rules envisaged by Circular no. 262 of December 22, 2005 “Bank financial statements: formats and rules of compilation” as detailed in Part A of the notes to the financial statements.

Iccrea Banca uses Alternative Performance Measures (APMs), determined in accordance with the aforementioned ESMA guidelines, with the aim of providing a faithful representation of the financial information disclosed to the market in terms of profit or loss, financial position and performance obtained, and which represent useful metrics for investors to facilitate their understanding of developments in performance and financial position.

In addition to being widely used in banking and finance, the APMs selected by Iccrea Banca are considered key factors by management in its decision-making at both the operational and strategic level.

The values for the measures can be reconciled with these financial statements for the purposes of the associated measures defined under the IFRS. For each published measure, the corresponding value for the comparative period is also provided, appropriately restated to ensure a uniform comparison where the restatement is necessary and of a material amount.

Note that the Alternative Performance Measures represent supplementary information with respect to the measures defined in the IFRS and are in no way a substitute for the latter.

Structural indicators

- Loans to customers: the aggregate includes loans to customers recognized as financial assets measured at amortized cost, net of exposures represented by securities.
- Total direct funding from ordinary customers: the aggregate includes outstanding debt securities, current accounts, deposits and other liabilities recognized as liabilities measured at amortized cost relating to funding from ordinary customers, with the exception of the sub-item financing.
- Net loans to customers at amortized cost/Total assets: the measure compares loans to customers at amortized cost with total balance sheet assets. For a definition of the “loans to customers” aggregate, please see the foregoing.
- Direct funding from customers/Total liabilities: the measure is the amount of total direct funding from ordinary customers as a proportion of total balance sheet liabilities. For a definition of “direct funding from customers” aggregate, please see the foregoing.
- Loan to deposit ratio: a measure of loans to customers at amortized cost as a proportion direct funding from customers, which includes amounts due to customers and outstanding securities, and provides summary information on liquidity.

Profitability measures

- ROE - Return On Equity: the measure is calculated as the ratio between net profit and shareholders’ equity and expresses the profitability generated by available equity.
- ROTE - Return On Tangible Equity: the measure is calculated as the ratio between net profit and tangible equity.[17]
- ROA - Return On Assets: the measure is calculated as the ratio between net profit and total assets and provides an indication of the profitability of company assets.

[17] Determined as the difference between the Group’s book equity and intangible assets.

- Cost/Income Ratio: the measure is calculated as the ratio between operating costs and gross income and provides an indication of the efficiency of operations.

Risk measures

- Net bad loans/Loans to customers at amortized cost: the measure is calculated as the ratio between bad loans and total loans to customers. For a definition of the loans to customers aggregate, please see the foregoing.
- Impairment losses on bad loans/Gross bad loans: the measure is calculated as the ratio between total impairment losses accumulated on bad loans to customers and the amount of bad loans to customers, gross of the associated accumulated impairment losses. It provides an indication of the coverage level for bad loans. For a definition of the loans to customers aggregate, please see the foregoing.
- Net NPL Ratio (Net non-performing loans/Net loans to customers at amortized cost): the measure is calculated as the ratio between non-performing loans to customers net of the associated accumulated impairment losses and total net loans to customers. It provides an indication of the quality of the loan portfolio. For a definition of the loans to customers aggregate, please see the foregoing.
- Net UTP/Net loans to customers at amortized cost: the measure is calculated as the ratio between unlikely to pay loans to and total loans to customers. For a definition of the loans to customers aggregate, please see the foregoing.
- Impairment losses on gross UTP/UTP: the measure is calculated as the ratio between total accumulated impairment losses on unlikely to pay loans to customers and unlikely to pay loans to customers gross of the associated accumulated impairment losses. It provides an indication of the coverage level for unlikely to pay positions. For a definition of the loans to customers aggregate, please see the foregoing.
- Impairment losses on impaired past-due exposures/gross impaired past-due exposures: the measure is calculated as the ratio between total accumulated impairment losses on impaired past-due loans to customers and impaired past-due loans to customers gross of the associated accumulated impairment losses. It provides an indication of the coverage level for impaired past-due loans. For a definition of the loans to customers aggregate, please see the foregoing.
- Gross NPL Ratio (Gross non-performing loans/Gross loans to customers at amortized cost): the measure is calculated as the ratio between gross non-performing loans to customers and total gross loans to customers. It provides an indication of the quality of the loan portfolio. For a definition of the loans to customers aggregate, please see the foregoing.
- NPL Coverage (Accumulated impairment losses on non-performing loans/Gross non-performing loans to customers): the measure is calculated as the ratio between total accumulated impairment losses on loans to customers and non-performing loans to customers gross of the associated accumulated impairment losses. It provides an indication of the coverage level for non-performing loans to customers.
- Cost of risk (Net writedowns/(writebacks) for credit risk/net loans to customers measured at amortized cost): the measure is calculated as the ratio between impairment losses for the year and the amount of loans to customers at the end for the year. It provides an indication of the impact of impairment losses on the portfolio during the year. For a definition of the loans to customers aggregate, please see the foregoing.
- Texas ratio: the ratio between gross non-performing loans to customers and the sum, in the denominator, of the related provisions and tangible equity.

GROUP FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Assets		31/12/2022	31/12/2021
10.	Cash and cash equivalents	1,189,908	1,674,568
20.	Financial assets measured at fair value through profit or loss	1,675,821	1,728,764
	a) financial assets held for trading	254,493	168,649
	b) financial assets designated as at fair value	251,392	275,467
	c) other financial assets mandatorily measured at fair value	1,169,936	1,284,648
30.	Financial assets measured at fair value through other comprehensive income	8,308,596	7,850,471
40.	Financial assets measured at amortized cost	150,454,937	159,230,200
	a) due from banks	2,691,287	10,185,851
	b) loans to customers	147,763,650	149,044,349
50.	Hedging derivatives	1,891,822	42,960
60.	Value adjustments of financial assets hedged generically (+/-)	(875,227)	63,660
70.	Equity investments	220,460	128,524
90.	Property, plant and equipment	2,556,424	2,646,457
100.	Intangible assets	167,559	174,127
	- goodwill	19,689	21,212
110.	Tax assets	1,748,374	1,901,863
	a) current	381,210	468,304
	b) deferred	1,367,164	1,433,559
120.	Non-current assets and disposal groups held for sale	159,293	219,563
130.	Other assets	6,044,491	3,324,225
	Total assets	**173,542,458**	**178,985,382**

Liabilities and shareholders' equity		31/12/2022	31/12/2021
10.	Financial liabilities measured at amortized cost	156,829,575	163,327,889
	a) due to banks	28,518,246	34,585,361
	b) due to customers	119,115,747	117,436,048
	c) securities issued	9,195,582	11,306,480
20.	Financial liabilities held for trading	236,482	129,475
30.	Financial liabilities designated as at fair value	-	256
40.	Hedging derivatives	350,237	495,268
50.	Value adjustments of financial liabilities hedged generically (+/-)	(821)	(187)
60.	Tax liabilities	75,317	44,173
	a) current	52,120	8,124
	b) deferred	23,197	36,049
70.	Liabilities associated with assets held for sale	247,896	182,098
80.	Other liabilities	3,165,472	3,315,338
90.	Employee termination benefits	225,719	277,528
100.	Provisions for risks and charges	542,064	518,641
	a) commitments and guarantees issued	298,309	293,183
	c) other provisions for risk and charges	243,755	225,458
120.	Valuation reserves	(205,161)	218,665
140.	Equity instruments	30,139	30,139
150.	Reserves	9,164,416	8,735,189
160.	Share premium reserves	150,834	148,345
170.	Share capital	2,291,261	2,302,817
180.	Treasury shares (-)	(1,380,525)	(1,263,218)
190.	Non-controlling interests (+/-)	32,501	66,201
200.	Net profit (loss) for the period (+/-)	1,787,052	456,765
	Total liabilities and shareholders' equity	**173,542,458**	**178,985,382**

CONSOLIDATED INCOME STATEMENT

		31/12/2022	31/12/2021
10.	Interest and similar income	4,112,336	3,164,153
	of which: interest income calculated using effective interest rate method	4,301,100	3,017,828
20.	Interest and similar expense	(418,650)	(403,422)
30.	**Net interest income**	**3,693,686**	**2,760,731**
40.	Fee and commission income	1,554,884	1,462,949
50.	Fee and commission expense	(216,535)	(176,809)
60.	**Net fee and commission income (expense)**	**1,338,349**	**1,286,140**
70.	Dividends and similar income	24,352	14,210
80.	Net gain (loss) on trading activities	65,106	19,121
90.	Net gain (loss) on hedging activities	(1,216)	13,394
100.	Net gain (loss) on the disposal or repurchase of:	41,152	429,215
	a) financial assets measured at amortized cost	109,409	352,871
	b) financial assets measured at fair value through other comprehensive income	(68,731)	80,313
	c) financial liabilities	474	(3,969)
110.	Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss	(58,342)	10,670
	a) financial assets and liabilities designated as at fair value	(15,488)	(5,182)
	b) other financial assets mandatorily measured at fair value	(42,854)	15,852
120.	**Gross income**	**5,103,087**	**4,533,481**
130.	Net losses/recoveries for credit risk in respect of:	(476,682)	(1,191,719)
	a) financial assets measured at amortized cost	(473,822)	(1,186,182)
	b) financial assets measured at fair value through other comprehensive income	(2,860)	(5,537)
140.	Gains/losses from contractual modifications without derecognition	(2,098)	(1,969)
150.	**Net income (loss) from financial operations**	**4,624,307**	**3,339,793**
180.	**Net income (loss) from financial and insurance operations**	**4,624,307**	**3,339,793**
190.	Administrative expenses:	(3,053,751)	(2,918,219)
	a) personnel expenses	(1,804,514)	(1,706,299)
	b) other administrative expenses	(1,249,237)	(1,211,920)
200.	Net provisions for risks and charges	(43,953)	(73,324)
	a) commitments and guarantees issued	(15,585)	(63,734)
	b) other net provisions	(28,368)	(9,590)
210.	Net adjustments of property, plant and equipment	(190,511)	(191,508)
220.	Net adjustments of intangible assets	(46,278)	(41,883)
230.	Other operating expenses/income	313,386	321,578
240.	**Operating costs**	**(3,021,107)**	**(2,903,356)**
250.	Profit (loss) from equity investments	(6,385)	19,264
260.	Net gain (loss) from valuation at fair value of property, plant and equipment and intangible assets	(23,835)	(15,836)
270.	Goodwill impairment	(1,522)	(1,810)
280.	Profit (loss) from disposal of investments	(2,080)	85
290.	**Profit (loss) before tax on continuing operations**	**1,569,378**	**438,139**
300.	Income tax expense from continuing operations	(214,937)	(2,339)
310.	**Profit (loss) after tax on continuing operations**	**1,354,441**	**435,801**
320.	Profit (loss) after tax on discontinued operations	441,668	24,770
330.	**Net profit (loss) for the period**	**1,796,109**	**460,571**
340.	Net profit (loss) for the period – non-controlling interests	9,057	3,806
350.	**Net profit (loss) for the period – shareholders of the Parent Company**	**1,787,052**	**456,765**

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2022	31/12/2021
10.	**Net profit (loss) for the period**	**1,796,109**	**460,571**
	Other comprehensive income net of taxes not recyclable to profit or loss	**28,552**	**7,833**
20.	Equity securities designated as at fair through other comprehensive income	1,300	14,252
50.	Property, plant and equipment	-	(35)
70.	Defined-benefit plans	27,252	(6,384)
	Other comprehensive income net of taxes recyclable to profit or loss	**(449,125)**	**(43,346)**
120.	Cash-flow hedges	(66,932)	18,661
140.	Financial assets (other than equity investments) measured at fair value through other comprehensive income	(298,508)	(63,180)
160.	Share of valuation reserves of equity investments accounted for with equity method	(83,685)	1,173
170.	**Total other comprehensive income net of taxes**	**(420,573)**	**(35,513)**
180.	**Comprehensive income (Item 10+170)**	**1,375,537**	**425,057**
190.	**Comprehensive income - non-controlling interests**	**9,057**	**4,119**
200.	**Comprehensive income - shareholders of the Parent Company**	**1,366,479**	**420,938**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 2022

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY 2021

				Allocation of net profit of previous year		Change in the period											
							Equity transactions										
	As at 31/12/2020	Change in opening balance	As at 1/1/2021	Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock options	Change in equity holdings	Comprehensive income at 31/12/2021	Shareholders' equity 31/12/2021	Shareholders' equity pertaining to shareholders of the Parent Company	Non-controlling interests
Share capital:																	
- ordinary shares	2,370,917		2,370,917				8,530	(13,045)					(5,750)		2,360,652	2,302,817	57,835
- other shares	985		985												985		985
Share premium reserve	154,595		154,595	(6,281)			4,370						(339)		152,345	148,345	3,999
Reserves:																	
- earnings	8,606,821		8,606,821	167,914		531							(5,897)		8,769,369	8,762,117	7,251
- other	(35,635)		(35,635)			246									(35,389)	(26,927)	(8,462)
Valuation reserves	253,734		253,734			1,230								(35,513)	219,450	218,665	785
Equity instruments	30,139		30,139												30,139	30,139	
Treasury shares	(1,247,818)		(1,247,818)				3,679	(19,078)							(1,263,218)	(1,263,218)	
Net profit (loss) for the period	202,320		202,320	(161,633)	(40,687)									460,571	460,571	456,765	3,806
Total shareholders' equity	**10,336,056**		**10,336,056**		**(40,687)**	**2,007**	**16,579**	**(32,124)**					**(11,986)**	**425,057**	**10,694,904**	**10,628,703**	**66,201**
Shareholders' equity - shareholders' of Parent Company	**10,264,539**		**10,264,539**		**(40,243)**	**(987)**	**16,579**	**(32,124)**						**420,938**	**10,628,703**		
Shareholders' equity - non-controlling interests	**71,517**		**71,517**		**(444)**	**2,994**							**(11,986)**	**4,119**	**66,201**		

STATEMENT OF CASH FLOWS: INDIRECT METHOD

	31/12/2022	31/12/2021
A. OPERATING ACTIVITIES		
1. Operations	**2,656,907**	**1,683,612**
- net profit (loss) for the period (+/-)	1,796,109	460,571
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (-/+)	(33,336)	(48,252)
- gains (losses) on hedging activities (-/+)	5,175	(14,541)
- net losses/recoveries on impairment (+/-)	476,682	1,106,405
- net adjustments of property, plant and equipment and intangible assets (+/-)	236,789	233,391
- net provisions for risks and charges and other costs/revenues (+/-)	2,280	(28,008)
- taxes, duties and tax credits to be settled (+/-)	209,581	(24,356)
- other adjustments (+/-)	(36,373)	(1,598)
2. Net cash flows from/used in financial assets	**4,177,765**	**(10,682,714)**
- financial assets held for trading	(12,012)	142,520
- financial assets designated as at fair value	24,076	69,626
- other assets mandatorily measured at fair value	74,216	(451)
- financial assets measured at fair value through other comprehensive income	(760,949)	(34,834)
- financial assets measured at amortized cost	5,397,187	(9,806,030)
- other assets	(544,753)	(1,053,545)
3. Net cash flows from/used in financial liabilities	**(6,881,842)**	**9,339,827**
- financial liabilities measured at amortized cost	(6,366,109)	9,214,091
- financial liabilities held for trading	107,007	(114,333)
- financial liabilities designated as at fair value	(256)	(2,861)
- other liabilities	(622,484)	242,931
Net cash flows from/used in operating activities	**(47,170)**	**340,725**
B. INVESTING ACTIVITIES		
1. Cash flow from	**138,634**	**59,782**
- sales of equity investments	1,400	16,587
- dividends on equity investments	4,373	4,373
- sales of property, plant and equipment	40,719	36,315
- sales of intangible assets	142	2,507
- sales of subsidiaries and business units	92,000	-
2. Cash flow used in	**(409,754)**	**(205,677)**
- purchase of equity investments	(186,515)	(18,597)
- purchases of property, plant and equipment	(181,578)	(134,468)
- purchases of intangible assets	(41,661)	(52,612)
Net cash flows from/used in investing activities	**(271,120)**	**(145,895)**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	(117,307)	(15,399)
- dividend distribution and other	(49,063)	(40,687)
Net cash flows from/used in investing activities	**(166,370)**	**(56,086)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**(484,660)**	**138,744**

Key
(+) generated
(-) used in

RECONCILIATION

	31/12/2022	31/12/2021
Cash and cash equivalents at beginning of period	1,674,568	1,535,824
Net increase/decrease in cash and cash equivalents	(484,660)	138,744
Cash and cash equivalents at end of period	1,189,908	1,674,568

NOTES TO THE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS

In compliance with the provisions of Legislative Decree 38 of February 28, 2005, the consolidated financial statements of the Iccrea Cooperative Banking Group have been prepared in condensed form and in accordance with the recognition and measurement criteria of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and the related interpretations of the International Financial Reporting Interpretations Committee (IFRS - IC), endorsed by the European Commission and in force as of the reporting date.

The IASs/IFRSs have also been applied in accordance with the "Conceptual Framework for Financial Reporting" (the Framework), with particular regard to the key principle of the prevalence of substance over form, as well as the concepts of relevance and materiality of information.

These financial statements are in conformity with the provisions of IAS 34 Interim Financial Reporting and have been prepared using the format and main schedules provided for in Circular no. 262 of December 22, 2005 – 7th update of October 29, 2021 issued by the Bank of Italy in the exercise of the powers established by Article 43 of Legislative Decree 136/2015, as well as with the Communication of the Bank of Italy of December 21, 2021 – Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy.

The disclosures at December 31, 2022 take account of the interpretative and support documents for the application of accounting standards with regard to the impacts of the COVID-19 pandemic issued by European regulatory and supervisory bodies and by standard setters during 2020 and 2021 (ESMA communications of March 25, 2020, May 20, 2020, October 28, 2020 and October 29, 2021) as well as – where applicable – ESMA documents issued during 2022 with specific regard to the Russia-Ukraine crisis (communications of March 14, 2022 and May 13, 2022) and the application of IFRS 17 (communications of May 13, 2022 and October 22, 2022).

These consolidated financial statements were prepared using the same accounting standards as those used for the consolidated financial statements at December 31, 2022.

The following table sets out the new international accounting standards and amendments to existing accounting standards, with the related endorsement regulations of the European Commission, that took effect that took effect, either on a mandatory basis or with the option of early adoption, as from January 1, 2022:

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION	ENTRY INTO FORCE
1080/2021	**Amendments to IFRS 3, IAS 16 and IAS 37 and Annual Improvements to IFRS Standards 2018–2020** The amendments involve limited-scope modifications of three accounting standards and annual improvements to the following accounting standards: – IFRS 1; – IFRS 9; – IFRS 16; – IAS 41.	Annual reporting periods beginning on or after January 1, 2022.
1421/2021	**Amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions beyond 30 June 2021** The amendment to IFRS 16 extends the operational, optional and temporary concessions connected with the COVID-19 pandemic granted to lessees involving the reduction of payments originally due on or before June 30, 2021 to include concessions involving the reduction of payments originally due on or before June 30, 2022.	Annual reporting periods beginning on or after April 1, 2021. Early application is permitted.

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

The following table reports new international accounting standards and amendments to existing standards issued by the IASB that have not yet entered force:

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION	ENTRY INTO FORCE
2036/2021	**IFRS 17 Insurance contracts** The standard seeks to improve investor understanding of the risk exposure, profitability and financial position of insurers. On June 25, 2020, the IASB published the following amendments to IFRS 17: – a reduction in costs with the simplification of certain requirements of the accounting standards; – the simplification of statements of financial performance; – the deferral of the effective date until 2023.	Annual reporting periods beginning on or after January 1, 2023.
357/2022	**Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies** The amendments to IAS 1 are intended to improve disclosure of accounting policies and require companies to disclose material accounting policy information for their financial statements.	Annual reporting periods beginning on or after June 1, 2023. Early application is permitted.
357/2022	**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates** The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.	Annual reporting periods beginning on or after June 1, 2023. Early application is permitted.
1392/2022	**Amendments to IAS 12 (Income Taxes)** The amendments to IAS 12 are intended to specify how to account for deferred tax on transactions such as leases and decommissioning obligations.	Annual reporting periods beginning on or after June 1, 2023. Early application is permitted.
1491/2022	**Amendment of transition requirements of IFRS 17** The amendment of the transition requirements of IFRS 17 allows entities to eliminate one-off classification differences in comparative information for the previous period at the date of initial application of IFRS 17 and IFRS 9 Financial Instruments.	Annual reporting periods beginning on or after January 1, 2023.
To be determined	**Amendments to IAS 1 – Presentation of Financial Statements: classification of liabilities as current or non-current** The amendments seek to clarify one of the criteria of IAS 1 for the classification of a liability as non-current, i.e. the requirement that an entity must have the right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The changes: – specify that the right to defer settlement must exist at the end of the reporting period; – clarify that the classification is unaffected by management's intentions or expectations regarding the possibility of exercising the right to defer settlement; – clarify how the terms of a liability impact its classification; and – clarify the requirements for the classification of liabilities that an entity intends to settle or could settle with the issue of equity instruments.	Annual reporting periods beginning on or after January 1, 2024.
To be determined	**Amendments to IFRS 16 on sale and leaseback arrangements** The amendments are intended to clarify how to account for a sale and leaseback arrangement that provides for variable payments based on the performance or use of an underlying asset.	Annual reporting periods beginning on or after January 1, 2023.

Other rules issued by the IASB that have not yet entered force are not expected to have an impact on the financial position and performance of the Group, with the exception of indirect impacts from the application of IFRS 17 to insurance companies accounted for using the equity method as from 2023.

SECTION 2: GENERAL PREPARATION PRINCIPLES

The consolidated financial statements, prepared in condensed form, consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, the notes to the financial statements an associated comparative information, along with the Report on Operations and the performance and financial position of the Iccrea Cooperative Banking Group.

In compliance with Article 5 of Legislative Decree 38/2005, the financial statements use the euro as the reporting currency.

Unless otherwise specified, the figures in the financial statements and the explanatory notes are expressed in thousands of euros.

The financial statements have been prepared in accordance with the general principles set out in IAS 1 "Presentation of Financial Statements" and the accounting standards endorsed by the European Commission and described in Part A.2 of these explanatory notes, as well as the general assumptions set out in the Conceptual Framework for Financial Reporting issued by the IASB. No exceptions have been made in applying the IASs/IFRSs.

The financial statements also comply with the following general principles of preparation:

- accrual basis accounting;
- understandability of information;
- materiality of information (relevance);
- reliability of information (faithful representation; prevalence of economic substance over legal form; neutrality of information; completeness of information; prudence in estimation to avoid overestimating revenues/assets or underestimating costs/liabilities);
- comparability over time.

In compliance with the provisions of IAS 1, these consolidated interim financial statements have been prepared on a going-concern basis. In this regard, the Directors are not aware of any significant uncertainties, events or conditions that could warrant serious concern about the Group's ability to continue to operate as a going concern in the foreseeable future, taking particular account of the system of cross-guarantees on which the Cooperative Banking Group is based, for which a discussion is provided in the Report on Operations.

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

Content of the financial statements and the explanatory notes

Balance sheet and income statement

The balance sheet and the income statement contain items, sub-items and further information (the "of which" for items and sub-items). Items without values for the reference period and the previous period are not included. In the income statement, revenues are shown without indicating their sign, while cost figures are shown within parentheses.

Statement of comprehensive income

The items concerning other comprehensive income after taxes in the statement of comprehensive income report changes in the value of assets recognized in the valuation reserves. Items without balances for the period and for the previous period are not reported. Negative amounts are presented within parentheses.

Statement of changes in equity

The statement of changes in equity shows the composition and movements of equity accounts during the reference period and the previous period, broken down by share capital (ordinary and savings shares), earnings reserves, capital reserves and valuation reserves for assets or liabilities, equity instruments and the net profit (loss) for the period. The value of any treasury shares is deducted from shareholders' equity.

Statement of cash flows

The statements of cash flows for the present period and the previous period were prepared using the indirect method, under which cash flows from operating activities are represented by the profit (loss) for the period, adjusted for the impact of non-monetary transactions. Cash flows are broken down into cash flows from/used in operating activities, investing activities and financing activities. Cash flows generated during the period are shown without a sign, while those used are shown within parentheses.

Content of the notes to the financial statements

The explanatory notes to the financial statements include the information required by international accounting standards, using the tables provided for in Bank of Italy Circular no. 262/2005 – 7th update of October 29, 2021, as well as the Communication of the Bank of Italy of December 21, 2021 – Supplement to the provisions of Circular no. 262 “Bank financial statements: formats and rules of preparation” concerning the impact of COVID-19 and the measures to support the economy.

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

SECTION 3 – SCOPE AND METHODS OF CONSOLIDATION

The scope of consolidation of the Iccrea Cooperative Banking Group includes:

- the financial statements of Iccrea Banca S.p.A. in its capacity as Parent Company and Central Body;
- the financial statements of the 118 affiliated mutual banks, which together with Iccrea Banca S.p.A. comprise the Consolidating Entity;
- the financial statements of the companies over which, in application of IFRS 10, IFRS 11 and IAS 28, Iccrea Banca and the affiliated mutual banks exercise control, joint control or significant influence.

Please see “Assessments and significant assumptions in determining the scope of consolidation” in section 2 below for a discussion of the assumptions underlying the determination of the scope of consolidation and the associated consolidation methods.

The following table reports the companies included in the scope of consolidation of the Iccrea Cooperative Banking Group.

1. COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS

		Headquarters	Type of relationship (A)	Equity investment		% share of votes (B)
				Investor	% holding	
A.	Consolidated on a line-by-line basis					
1	Iccrea Banca S.p.A.	Rome				
2	BCC di Bari S.C.	Bari				
3	Banca dell'Elba - Credito Cooperativo S.C.	Portoferraio				
4	Credito Cooperativo Mediocrati S.C.	Rende				
5	BCC di Buccino e dei Comuni Cilentani S.C.	Agropoli				
6	Credito Cooperativo Romagnolo - BCC di Cesena E Gatteo - S.C.	Cesena				
7	Emil Banca - Credito Cooperativo S.C.	Bologna				
8	Banca Cremasca e Mantovana - Credito Cooperativo S.C.	Crema				
9	Banca della Marca Credito Cooperativo S.C.	Orsago				
10	Credito Cooperativo Friuli (CrediFriuli) S.C.	Udine				
11	BCC dell'Adriatico Teramano S.C.	Atri				
12	Banca di Taranto e Massafra – Banca di Credito Cooperativo S.C.	Taranto				
13	Banca di Credito Cooperativo della Calabria Ulteriore - Società Cooperativa.	Crotone				
14	BCC di Cagliari S.C.	Cagliari				
15	Banca di Andria Di Credito Cooperativo S.C.	Andria				
16	BCC Agrigentino S.C.	Agrigento				
17	BCC di Napoli S.C.	Naples				
18	BCC di Putignano S.C.	Putignano				
19	Banca di Ancona e Falconara Marittima Credito Cooperativo S.C.	Ancona				
20	BCC di Montepaone S.C.	Montepaone				
21	BCC di Basciano S.C.	Basciano				
22	BANCA 2021 — Credito Cooperativo del Cilento, Vallo di Diano e Lucania S.C.	Vallo Della Lucania				
23	BCC della Valle del Trigno S.C.	San Salvo				
24	Valpolicella Benaco Banca Credito Cooperativo S.C.	Costermano Sul Garda				
25	Banca Veronese Credito Cooperativo di Concamarise S.C.	Bovolone				
26	Banca Centropadana Credito Cooperativo S.C.	Lodi				
27	Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo S.C.	Firenzuola				
28	BCC di Roma S.C.	Rome				
29	BCC Brianza e Laghi S.C.	Lesmo				
30	BCC di Altofonte e Caccamo S.C.	Altofonte				
31	Banca di Anghiari E Stia - Credito Cooperativo S.C.	Anghiari				
32	BCC di Avetrana S.C.	Avetrana				
33	BCC Pordenonese e Monsile S.C.	Azzano Decimo				
34	Banca di Pescia e Cascina - Credito Cooperativo S.C.	Pescia				
35	BCC di Arborea S.C.	Arborea				

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

		Headquarters	Type of relationship (A)	Equity investment		% share of the vote (B)
				Investor	% holding	
87	BCC di Pergola e Corinaldo S.C.	Pergola				
88	BCC Vicentino - Pojana Maggiore S.C.	Pojana Maggiore				
89	BCC di Pontassieve S.C.	Pontassieve				
90	Cassa Rurale e Artigiana dell'Agro Pontino - BCC S.C.	Pontinia				
91	BCC di Pratola Peligna S.C.	Pratola Peligna				
92	Centromarca Banca - Credito Cooperativo di Treviso e Venezia, S.C.	Treviso				
93	BCC di Recanati e Colmurano S.C.	Recanati				
94	Banca di Ripatransone e Del Fermano - Credito Cooperativo S.C.	Ripatransone				
95	Cassa Rurale e Artigiana di Rivarolo Mantovano Credito Cooperativo S.C.	Rivarolo Mantovano				
96	BCC della Provincia Romana S.C.	Riano				
97	Banca di Verona e Vicenza - Credito Cooperativo S.C.	Fara Vicentino				
98	Banca del Valdarno - Credito Cooperativo S.C.	San Giovanni Valdarno				
99	Banca di Pesaro Credito Cooperativo S.C.	Pesaro				
100	BCC di Santeramo In Colle S.C.	Santeramo In Colle				
101	Banca TEMA - Terre Etrusche di Valdichiana e di Maremma S.C.	Chiusi				
102	BCC di Scafati e Cetara S.C.	Scafati				
103	BCC Appulo Lucana S.C.	Spinazzola				
104	BCC di Staranzano e Villesse S.C.	Staranzano				
105	Banca Centro Credito Cooperativo Toscana - Umbria S.C.	Sovicille				
106	Cassa Rurale - BCC di Treviglio S.C.	Treviglio				
107	BCC di Triuggio e della Valle del Lambro S.C.	Triuggio				
108	BCC della Valle del Fitalia S.C.	Longi				
109	Banca Alta Toscana Credito Cooperativo S.C.	Quarrata				
110	BCC Bergamasca e Orobica S.C.	Cologno Al Serio				
111	Banca Don Rizzo - Credito Cooperativo della Sicilia Occidentale S.C.	Alcamo				
112	BCC dei Colli Albani S.C.	Genzano Di Rome				
113	BCC G. Toniolo di San Cataldo S.C.	San Cataldo				
114	Banca San Francesco Credito Cooperativo S.C.	Canicattì				
115	BCC delle Madonie S.C.	Petralia Sottana				
116	BCC Terra Di Lavoro - S. Vincenzo De' Paoli S.C.	Casagiove				
117	BCC degli Ulivi - Terra di Bari S.C.	Palo Del Colle				
118	RivieraBanca Credito Cooperativo di Rimini e Gradara S.C.	Rimini				
119	BCC di San Marco Dei Cavoti e Del Sannio - Calvi S.C.	San Marco Dei Cavoti				
120	BCC Risparmio&Previdenza SGrpA	Milan	1	Iccrea Banca S.p.A.	100.0	100.0
121	Iccrea BancaImpresa S.p.A.	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
122	BCC Factoring S.p.A.	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
123	Banca Sviluppo S.p.A.	Rome	1	Iccrea Banca S.p.A.	99.3	99.3
124	Banca Mediocredito del F.V.G. S.p.A.	Udine	1	Iccrea Banca S.p.A.	100.0	100.0
125	BCC Gestione Crediti S.p.A.	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
126	BCC Solutions S.p.A.	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
127	BCC Beni Immobili Srl	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
128	BCC Lease S.p.A.	Rome	1	Iccrea BancaImpresa S.p.A.	100.0	100.0
129	BCC CreditoConsumo S.p.A.	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
130	BCC Sistemi Informatici S.p.A.	Milan	1	Iccrea Banca S.p.A.	99.4	99.4
				Banca Sviluppo S.p.A.	0.0	0.0
131	BCC Servizi Assicurativi Srl	Milan	1	Iccrea Banca S.p.A.	100.0	100.0
132	Coopersystem Societa' Cooperativa	Florence	1	Banca di Anghiari E Stia - Credito Cooperativo S.C.	0.0	5.7
				Vival Banca - BCC Di Montecatini Terme, Bientina e S. Pietro In Vincio S.C.	0.0	5.7
				Chiantibanca - Credito Cooperativo S.C.	0.1	5.7
				Banca del Valdarno - Credito Cooperativo S.C.	0.1	5.7
				Banca di Pescia e Cascina - Credito Cooperativo S.C.	0.0	5.7
				Banca Versilia Lunigiana e Garfagnana - Credito Cooperativo S.C.	0.0	5.7
				BCC di Pontassieve S.C.	0.0	5.7

		Headquarters	Type of relationship (A)	Equity investment		% share of votes (B)
				Investor	% holding	
				Banca dell'Elba - Credito Cooperativo S.C.	0.0	5.7
				Credito Cooperativo Valdarno Fiorentino Banca di Cascia S.C.	0.0	5.7
				Banca Alta Toscana Credito Cooperativo S.C.	0.4	5.7
				Banca Centro Credito Cooperativo Toscana - Umbria S.C.	0.1	5.7
				Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo S.C.	0.1	5.7
				Banca TEMA - Terre Etrusche di Valdichiana e di Maremma S.C.	0.0	5.7
133	Sigest Srl	Calcinaia	1	BCC Pisa e Fornacette Credito Cooperativo S.C.	100.0	100.0
134	Sinergia S.p.A.	Rome	1	Iccrea Banca S.p.A.	100.0	100.0
135	Fondo Securis Real Estate	Rome	4	Iccrea Banca S.p.A.	78.0	78.0
				BCC Brianza e Laghi S.C.	1.2	1.2
136	Fondo Securis Real Estate II	Rome	4	Iccrea Banca S.p.A.	84.8	84.8
137	Fondo Securis Real Estate III	Rome	4	Iccrea Banca S.p.A.	79.5	79.5
138	Fondo Il Ruscello	Milan	4	BCC di Milano S.C.	100.0	100.0
139	Fondo Sistema BCC	Rome	4	BCC di Milano S.C.	44.4	44.4
				Credito Cooperativo Di Caravaggio Adda e Cremasco - Cassa Rurale S.C.	8.9	8.9
				BCC del Garda - BCC Colli Morenici Del Garda S.C.	29.4	29.4
				BCC di San Marco Dei Cavoti e Del Sannio - Calvi S.C.	10.6	10.6
140	Asset Bancari V	Rome	4	BCC di Milano S.C.	16.0	16.0
				Banca di Anghiari e Stia - Credito Cooperativo S.C.	16.0	16.0
				BCC del Garda - BCC Colli Morenici Del Garda S.C.	19.3	19.3
				Cassa Rurale e Artigiana di Binasco - Credito Cooperativo S.C.	4.0	4.0
				Credito Padano Banca di Credito Cooperativo S.C.	11.3	11.3
				Banca Cremasca e Mantovana - Credito Cooperativo S.C.	26.0	26.0

Key:
A) Type of relationship: 1 = majority of voting rights in ordinary shareholders' meeting; 4 = other forms of control.
B) Votes available in ordinary shareholders' meeting.

1. ASSESSMENTS AND SIGNIFICANT ASSUMPTIONS IN DETERMINING THE SCOPE OF CONSOLIDATION

Introduction

The concept of cooperative banking group was introduced into Italian law with Decree Law 18 of February 14, 2016, ratified with amendments with Law 49 of April 8, 2016, which amended Legislative Decree 385/1993 (the Consolidated Banking Act) with the introduction of Article 37-bis establishing, among other things, that the Parent Company shall exercise management and coordination activities "on the basis of a Cohesion Contract that ensures the existence of control as defined by the international accounting standards adopted by the European Union."

From the point of view of the associated regulation, the provisions of Circular 285, 19th update of November 2, 2016, "implement articles 37-bis and 37-ter of the Consolidated Banking Act concerning the cooperative banking group . They govern the prudential and supervisory requirements to be met by the parent company, the minimum content of the Cohesion Contract, the characteristics of the joint and several guarantee system and the requirements of membership in the group. The cooperative banking group is based on the management and coordination powers of the parent company, defined in the Cohesion Contract agreed between the latter and the affiliated mutual banks, which are intended to ensure the unity of strategic direction and the control system as well as compliance with the prudential provisions applicable to the Group and its members, including by way of measures issued by the Parent Company that are binding on the affiliated banks".

A cooperative banking group, as defined in Bank of Italy Circular 285 - 19th update, is a group of entities affiliated to a central body pursuant to Article 10 of Regulation (EU) no. 575/2013 (the CRR), with the simultaneous presence of a mutual guarantee system. In particular, the definition of Central Body, defined in Article 2, paragraph 4, letter a) of Directive 77/780/EEC, establishes that:

- the commitments of the central body and the affiliated institutions are joint and several liabilities;
- the solvency and liquidity of all the affiliated institutions are monitored as a whole on the basis of consolidated accounts.

From the point of view of financial reporting regulations, Law 145 of December 30, 2018 concerning the "State budget for the 2019 fiscal year and the multi-year budget for the 2019-2021 period" (the 2019 Budget Act) amended Legislative Decree 136/2015 "Implementation of Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings", with the introduction of Article 2, paragraph 2, letter b) of Directive 86/635/EEC, which governs the consolidated accounts of central bodies.

In particular, Article 1072 of Law 145 of December 30, 2018 amended Article 38 of Legislative Decree 136/2015 with the following paragraph 2-bis: "In the case of cooperative banking groups pursuant to Article 37-bis of Legislative Decree 385 of September 1, 1993, the parent company and the mutual banks affiliated to it by virtue of the Cohesion Contract shall constitute a single consolidating entity".

The single consolidating entity represents the community of interests created by the system of cross-guarantees in the context of the Cohesion Contract, aimed at ensuring the financial and governance unity of the Group as a whole.

The explanatory report to the 2019 Budget Act (*Legge di bilancio 2019. Le modifiche approvate dal Senato della Repubblica, 23 dicembre 2018*) summarizes the effects of the aforementioned regulatory change as follows:

- "for the purposes of preparing the consolidated financial statements, the parent company and the banks belonging to the cooperative banking group shall constitute a single consolidating entity";
- "in the preparation of the consolidated financial statements, the accounting items pertaining to the Parent Company and the affiliated banks shall be recognized on a consistent basis.

The regulatory changes introduced in the Italian legal system are consistent with the position expressed by the European Commission in 2006 regarding the adoption of international accounting standards, according to which the obligation to draw up the consolidated financial statements must be determined in accordance with the provisions of the national legislation transposing European directives[18] notwithstanding the provisions of those accounting standards.

An authoritative option has been issued on the consolidation of the financial statements of cooperative banking groups in application of the regulatory and financial reporting provisions described above.

Taking account of the foregoing, in particular:

- the provisions introduced with the 2019 Budget Act that specify the procedures for complying with consolidation requirements in the case of groups of banks affiliated to a central body;
- the provisions of the Consolidated Banking Act, which are important in defining the governance powers of the central body over the affiliated mutual banks, defined in the Cohesion Contract;
- that the 2019 Budget Act, in introducing paragraph 2-bis of Article 38 of Legislative Decree 136/2015 (in implementation of Directive 86/635) as a special rule, prevails and specifies the generic reference of Article 37 bis, paragraph 1 of the Consolidated Banking Act to control for the purposes of the accounting standards.

[18] European Commission, Agenda Paper for the Meeting of the Accounting Regulatory Committee on 24th November 2006, paragraph 4.3. [… the determination of whether or not a company is required to prepare consolidated accounts will continue to be made by reference to national law transposed from the Seventh Council Directive"].

The consolidated financial statements of the Iccrea Cooperative Banking Group have been prepared on the basis of the following procedures:

- the entity required to draw up the consolidated financial statements is represented by the aggregation of the central body and the affiliated mutual banks (hereinafter the "consolidating entity");
- in the consolidated financial statements, the accounting entries of the Parent Company and the affiliated mutual banks are recorded at the same values;
- in the consolidated financial statements, the accounting entries of the Parent Company and the affiliated mutual banks are recorded at the existing value reported in the individual financial statements;
- the provisions of IFRS 10 are applied for the purpose of identifying the scope of consolidation of the consolidating entity (subsidiaries of the Parent Company and the affiliated mutual banks);
- IFRS 3 is applicable only for any business combinations between the single consolidating entity and third parties;
- balance sheet and income statement positions between companies included in the scope of consolidation are eliminated in full;
- Parent Company shares held by the affiliated mutual banks are eliminated in full and accounted for as treasury shares of the consolidating entity.

Scope and methods of consolidation

In view of the foregoing, the scope of consolidation of the Iccrea Cooperative Banking Group includes:

- the financial statements of Iccrea Banca S.p.A. in its capacity as Parent Company and Central Body;
- the financial statements of the 118 affiliated mutual banks, which together with Iccrea Banca S.p.A. comprise the Consolidating Entity;
- the financial statements of the companies over which, in application of IFRS 10, IFRS 11 and IAS 28, Iccrea Banca and the affiliated mutual banks exercise control, joint control or significant influence.

Subsidiaries

Subsidiaries are those entities over which the Consolidating Entity has the power to direct the relevant activities as a result of a legal right or a mere situation of fact and is exposed to the variable returns resulting from that power.

More specifically, pursuant to IFRS 10 the control requirement is met when an investor simultaneously has:

- the power to direct the relevant activities of the entity;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of its returns (link between power and returns).

The carrying amount of equity interests in companies either consolidated on a line-by-line basis, held by the Consolidating Entity or other companies within the Group, is eliminated – as the subsidiaries' assets and liabilities are absorbed into those of the Group – offsetting the corresponding percentage of the subsidiaries' equity pertaining to the Group.

Asset and liability items, off-balance sheet transactions, expenses and income, as well as profits and losses which occur between companies falling within the scope of consolidation are eliminated.

Costs and revenues of a subsidiary are included in consolidation from the date on which control is acquired. Costs and revenues from a subsidiary disposed of are included in the consolidated income statement up to the date of disposal, which is to say up to the point at which control over the subsidiary is lost. The difference between the payment received on disposal of the subsidiary and the carrying amount of its net assets at the same date is recognized in profit or loss under item 280 "Gain/(loss) from the disposal of investments". Any residual interest held must be measured at fair value as of the date control is lost.

The share pertaining to non-controlling interests is presented on the balance sheet under item 190. "Non-controlling interests", separately from the liabilities and shareholders' equity pertaining to the shareholders of the Parent Company. The portion pertaining to non-controlling interests is also presented separately in the income statement, under item 340 "Profit/(loss) pertaining to non-controlling interests".

For companies that are included in the scope of consolidation for the first time, the fair value of the costs incurred in order to obtain control of that equity interest, inclusive of ancillary costs, is measured as at the acquisition date.

Changes in interests in a subsidiary that do not entail loss of control are recognized in equity.

Controlling equity investments held for sale are consolidated on a line-by-line basis and reported separately in the financial statements as a

disposal group valued as of the reporting date at the lower of carrying amount or fair value less costs to sell.

Non-material subsidiaries are not consolidated.[19] Their exclusion from the scope of consolidation does not have a material impact on Group equity.

Associated companies

Associates are companies in which the Consolidating entity directly or indirectly holds at least 20% of the voting rights or over which, even with a smaller share of the voting rights, it exercises a significant influence, which is defined as the power to participate in determining the financial and operational policies of the associate without having control or joint control.

More specifically, Significant influence is assumed to exist when the parent company:

- directly or indirectly holds at least 20% of the voting rights of another company;
- is able, including through shareholders' agreements, to exercise significant influence through:
  - representation on the company's management body;
  - participation in the process of setting policies, including participation in the decision-making process concerning dividends;
  - the existence of significant transactions;
  - the exchange of management personnel.

Associates are accounted for using the equity method. Equity in the associated company includes goodwill (net of any impairment loss) paid for the acquisition. The carrying amount of the interest is increased or decreased to reflect the share of the post-acquisition profits or losses of the associate and is recognized in the income statement under item 250. "Profit/(loss) from equity investments". Any distribution of dividends is indicated as a decrease in the carrying amount of the equity investment. The goodwill associated with an associate or joint venture is included in the carrying amount of the investment and does not undergo separate impairment testing.

Any change in the other comprehensive income relating to these investee companies is presented as part of the comprehensive income of the Group. In addition, if an associated company recognizes a change allocated directly to equity, the Group recognizes its share, where applicable, in the statement of changes in equity.

If the portion of the losses pertaining to the Group equals or exceeds the carrying amount of the investment in the associate, further losses are not recognized unless. there is contractual obligation to cover such losses or in the presence of payments made on behalf of the associate.

Unrealized profits on transactions between the Group and its associated companies are eliminated at the same percentage of the Group's interest in the profits of the associates. Unrealized losses are also eliminated, unless the transactions carried out show evidence of an impairment loss on the assets involved. Valuation reserves for associated companies are recognized separately in the statement of comprehensive income.

A number of interests of more than 20%, albeit of limited amount, over which the Parent Company does not have the direct or indirect ability to participate in setting management policies are excluded from the scope of consolidation and classified in accordance with the provisions of IFRS 9. Non-material associates are also excluded from the scope of consolidation. Their exclusion from the scope of consolidation does not have a material impact on Group equity.

Joint arrangements

Entities held under joint arrangements are those over which control is shared under a contractual agreement with other investors. More specifically, a joint arrangement is a contractual arrangement whereby two or more parties exercise joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under IFRS 11 joint arrangements are classified as either joint operations or joint ventures based upon the contractual rights and obligations held by the Group. A joint operation is a joint arrangement whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the arrangement. Investments in joint arrangements are accounted for using the equity method. At December 31, 2022 the Group had no interests in joint arrangements.

[19] The scope of consolidation does not include subsidiaries with total assets of less than €10 million, subject to the condition that the total assets of all unconsolidated subsidiaries do not exceed €50 million.

Structured entities

Subsidiaries may also include any "structured entities" in which the voting rights are not deemed significant in assessing control and include special purpose entities and investment funds.

Structured entities are treated as subsidiaries where:

- the Group has the power through contractual rights to direct the relevant activities;
- the Group is exposed to the variable returns arising from such activities.

The structured entities that are consolidated because the Group has the power to govern the relevant activities of the entity as a result of the financial instruments it has subscribed include:

- real estate investment funds;
- special purpose securitization vehicles.

Structured entities – Real estate investment funds

In the real estate investment funds, the control relationship takes account of the purpose/scope of the operation and has been deemed to exist in the following cases:

- the involvement of the investor/sponsor in structuring the operation;
- the participation of the Group companies on the committees provided for in the fund's rules (participants' advisory committee), which have the power to direct/govern the relevant activities of the fund and/or control the activities of the fund manager;
- the presence of contractual relationships that tie the fund to the Group for the subscription/placement/sale of its units.

The consolidated real estate investment funds are Fondo Securis Real Estate, Fondo Securis Real Estate II, Fondo Securis Real Estate III, Fondo Sistema BCC, Fondo Asset Bancari V and Fondo Il Ruscello.

In view of their business model (real estate) and the composition of their assets, essentially composed of properties measured at market value, these funds have been consolidated, recognizing their assets under property, plant and equipment in the consolidated financial statements, recognizing any increases/decreases under "*Net gain/loss from valuation at fair value of property, plant and equipment*" in the income statement.

Structured entities –securitizations

In securitizations, the indicators that a control relationship exists include:

- the involvement of the Group companies in structuring of the operation (originator/investor/servicer/facility provider);
- the subscription of substantially all of the ABSs issued by the SPV by Group companies;
- the purpose/scope of the operation.

The segregated assets of the operations originated by banks of the Group that did not give rise to the derecognition of the assigned loans have been consolidated through consolidation of the originating banks.

2. INVESTMENTS IN SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

2.1 NON-CONTROLLING INTERESTS, VOTING RIGHTS OF NON-CONTROLLING INTERESTS AND DIVIDENDS DISTRIBUTED TO NON-CONTROLLING INTERESTS

	Non-controlling interests	Non-controlling interest percentage of votes (1)	Dividends distributed to non-controlling interests
Coopersystem Società Cooperativa	99.21%	26.32%	-

(1) Percentage of votes in ordinary shareholders' meeting

2.2 INVESTMENTS WITH SIGNIFICANT NON-CONTROLLING INTERESTS: ACCOUNTING DATA

	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Gross income	Operating expenses	Profit (loss) before tax on continuing operations	Profit (loss) after tax on continuing operations	Profit (loss) after tax on disposal groups	Net profit (loss) for the period (1)	Other comprehensive income after tax (2)	Comprehensive income (3) =(1)+(2)
Coopersystem Società Cooperativa	43,851	14,250	12,752	9,567	1,548	31,832	(11)	(11)	(11,488)	14,477	9,154	-	9,154	-	9,154

3. SIGNIFICANT RESTRICTIONS

There are no significant restrictions as envisaged under IFRS 12, paragraph 13, applicable to the banks and companies that form the area of consolidation of the Iccrea Cooperative Banking Group.

4. OTHER INFORMATION

Data used for consolidation

The accounting data used for line-by-line consolidation are those at December 31, 2022, as approved by the competent bodies of the companies included in the scope of consolidation, adjusted where necessary to adapt them to the uniform Group accounting policies.

Subsidiaries whose annual financial statements have not been drawn up on the basis of the international accounting standards (IAS-IFRS) prepare a specific reporting package using such standards to permit the Parent Company to perform the consolidation. This reporting package is approved by the boards of directors of the companies.

With regard to the reporting packages of the associated BCC Vita S.p.A. and BCC Assicurazioni S.p.A., in application of the "*deferral approach*" (or *temporary exemption*) provided for under IFRS 9, the companies continue to recognize financial assets and liabilities in accordance with the provisions of IAS 39 pending the entry into force in 2023 of the new standard on insurance contracts (IFRS 17). In accordance with the provisions of Regulation (EU) 2017/1988 of November 3, 2017, the Parent Company has elected to use the temporary exemption from certain provisions of IAS 28, which are indicated in paragraphs 20O and 20P of IFRS 4, and is consequently exempt the use of uniform accounting policies for the two insurance companies in its application of the equity method.

SECTION 4 – EVENTS SUBSEQUENT TO THE REPORTING DATE

In the period between the reporting date of the financial statements and their approval by the Board of Directors on March 31, 2023, with the exceptions indicated below, no events occurred that would entail a modification of the financial data approved at that meeting.

SECTION 5 – OTHER MATTERS

Risks and uncertainties associated with the use of estimates

In conformity with the IAS/IFRS, management is required to formulate accounting estimates that can impact the values of the assets, liabilities, costs and revenues recognized in the financial statements. The formulation of these estimates is based on prior experience, available information, the adoption of assumptions and subjective judgements.

Estimation processes were used to support the carrying amount of some of the largest items recognized in the consolidated financial statements, such as:

- the verification of compliance with the requirements for classifying financial assets in the accounting portfolios that adopt the amortized cost criterion (SPPI test), with particular regard to the performance of the benchmark test;
- the quantification of impairment losses on loans and, more generally, other financial assets;
- the assessment of the appropriateness of the value of equity investments and other non-financial assets (e.g. goodwill);
- the use of valuation techniques in the recognition of the fair value of financial assets not listed on active markets;
- the determination of the fair value of financial instruments to be used for financial reporting purposes;
- the estimation and assumptions concerning the recoverability of deferred tax assets;
- the quantification of provisions for legal and tax risks and charges.

The description of the accounting policies applied to the main financial statement aggregates provides the information necessary to identify the main assumptions and subjective assessments used in the preparation of the financial statements. In particular:

- for allocation to the three stages of credit risk provided for under IFRS 9 of loans and debt securities classified under financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income and the associated calculation of expected losses, the main estimates regard the determination of the parameters representing a significant increase in credit risk, the inclusion of forward-looking factors in determining PD, EAD and LGD and the determination of future cash flows from impaired loans;
- for the quantification of provisions for risks and charges, the estimation of the amount of outlays necessary to discharge liabilities, taking account of the effective probability of having to employ resources to do so.

For further information concerning the composition and associated carrying amounts of the items affected by these estimates, please see the specific sections in the notes to the financial statements.

By their nature, estimates may vary from year to year and, therefore, it cannot be ruled out that in subsequent years the current values recorded in the financial statements may differ significantly as a result of changes in the subjective assessments employed, taking account of the highly uncertain factors associated with: i) the evolution of the Russia-Ukraine conflict; ii) the resurgence of the COVID-19 pandemic; and iii) the rise in inflation fueled since 2021 by the rise in the prices of energy goods and rigidities in distribution chains, which became more accentuated in 2022.

The main subjective judgments made by management in assessing the impact of the COVID-19 pandemic are summarized below.

The quantification of impairment losses on receivables

A key element of the comprehensive set of actions implemented by the Group for the structural management of the COVID-19 emergency was the effort to revise the credit risk forecasting metrics to factor the conditions associated with the emergency into ordinary valuation processes and, in particular, within the IFRS 9 impairment framework in order to calculate the expected credit loss (ECL) on performing loans).[20]

The great discontinuities in market conditions brought about COVID-19 have prompted a number of exceptional changes in methodology and implementation that have made it possible to incorporate the implications of the impact of the pandemic into the impairment model, taking due consideration of the most recent developments.

At the same time, the introduction of measures to support customers and the economy, with a particular emphasis on actions taken by the Group in relation to applicable legislative measures enacted in Italy, the measures agreed with industry association and the initiatives undertaken by individual organization led to the introduction of further methodological changes to the IFRS 9 impairment framework in order to take account of the impact of the emergency in calculating expected credit losses.

During 2022, with regard to IFRS 9 measurements, the Group maintained a particularly prudent approach in estimating impairment losses, as

[20] Including the revision of the probation period for exposures involved in moratoriums previously assigned to *Stage* 2.

possible upsurges in the COVID-19 pandemic could not be definitively ruled out, also taking due account of the adverse effects on the global and Italian economy linked directly or indirectly linked to the Russia-Ukraine conflict.

On the occasion of the closure of the financial statements at December 31, 2022, the measures carried out as part of the multi-year Credit Risk Models Evolution (CRME) were completed for the purposes of calculating the IFRS 9 impairment of the Group's performing credit exposures.

In particular, the following have been finalized:

- updating the Probability of Default (PD) models, which hinges on the development of the new version of the internal rating system (AlvinRating 6.0) through the introduction of the single behavioral model at Group level, with the associated re-estimation of the PDs and updating of the rating scale;
- development of "block" LGD models, including the parameters necessary for appropriate quantification in the accounts, based on the combination of parameters connected, respectively, with the pre-litigation phases (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan);
- replacement of the "PD Satellite Models" with models developed internally using the most advanced methodologies available. This evolution enables the Group to internalize the models, reducing dependence on an external supplier of the macroeconomic scenarios and, at the same time, to respond more quickly and with greater precision to the constant demand for in-depth analysis generated by the delicate and changing macroeconomic environment we are currently experiencing;
- updating of the "LGD Satellite Models" to take appropriate account of the reconstruction and updating of the historical databases of position recoveries;
- evolution of the forward-looking conditioning framework for PD, using the Merton-Vasicek methodology.

The methodological modifications referred to above and the associated parameter estimation activities performed in 2022 were also accompanied by conservative adjustments, defined as In-Model Adjustments, intended to both address any weaknesses still present in the models and avoid the incorporation of possible distortions created by the pandemic (such as, for example, default flows that did not emerge in 2020 and 2021).

Finally, other specific interventions on the IFRS 9 impairment framework were implemented with regard to the quantification of an overlay to ensure greater prudence in respect of the uncertainty surrounding the current macroeconomic situation.

In calculating impairment losses on loans, account was also taken of the preliminary findings emerging from discussions with the ECB as part of the on-site inspection on credit and counterparty risk in terms of 'CRE' (Commercial Real Estate) asset quality. For further information, please see the Report on Operations.

Impairment testing of equity investments and goodwill

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

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

At December 31, 2022 the above approaches, which are discussed in greater detail in Part B of the notes to the financial statements, have been applied on the basis of 2023-2025 forecasts of each Group company.

Probability testing of DTAs

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

The estimates and assumptions concerning the recoverability of tax assets in respect of prepaid taxes, which are discussed in more detail in part B of the notes to the financial statements, have been applied on the basis of 2022-2024 forecasts of each Group company, based on the results of the 2023-2025 corporate strategic plan developed in accordance with the Group’s strategic guidelines.

Amendment of IFRS 16

On March 31, 2021, the IASB published "COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16" (endorsed with Commission Regulation (EU) 2021/1421), which extended the period of application of the amendment issued in 2020 by one year. It gave lessees the option to account for COVID-19-Related Rent Concessions without having to analyze the contracts to determine whether the concession represented a lease modification under the definition given in IFRS 16. Accordingly, lessees who applied this option in 2020 accounted for the effects of rent concessions directly in profit or loss on the effective date of the reduction. The 2021 amendment, which was available only to entities that had already adopted the 2020 amendment, took effect from April 1, 2021 (with early adoption permitted).
The companies of the Group have not requested any reduction or suspension of lease payments and, therefore, have not made use of the practical expedient provided for in this amendment.

Non-recourse assignments and/or contributions to investment funds (AIF) of portfolios of bad loans or UTP positions

During the last quarter of 2022, the Group participated in the derisking operation called "Mible", organized and coordinated by the Parent Company. It was based on a multi-originator competitive procedure involving the assignment of a group of loan portfolios classified as non-performing and/or unlikely to pay held by various Group entities. The transaction as a whole is structured as a transfer without recourse pursuant to Article 58 of the Consolidated Banking Act and as a contribution to an AIF.

The total aggregate portfolio of all the participants is made up of loans to 2,788 counterparties classified as bad loans or unlikely to pay positions held by 71 Group banks. The gross book value and the net book value of the total aggregate portfolio at December 31, 2022 are respectively equal to €320 million and €116.9 million.

On December 30, 2022 – following the approval of the associated resolutions by the boards of directors - the Parent Company, Iccrea, acting on the basis of the authority granted to it, accepted binding offers from AMCO S.p.A. and Sagitta Sgr/Intrum. It consequently notified the Banks participating in the transaction of the prices for the purposes determining the effects of the transaction on the financial statements at December 31, 2022.

The Group participated in an additional derisking operation, called "Waarde", involving the assignment without recourse pursuant to Article 58 of the Consolidated Banking Act. The aggregate portfolio at the consolidated level is made up of loans to 2.104 counterparties classified as bad loans held by 34 Group banks. The gross book value and net book value of the overall portfolio at December 31, 2022 are equal to, respectively, €140.5 million and €29.9 million.

Following the scouting of potential investors and the analysis of the binding offers received, AMCO - Asset Management Company S.p.A. ("AMCO") was selected as the winner of the tender.

The finalization of the transactions, with the legal transfer of the receivables to the assignees, took place in the first quarter of 2023.

Given the irrevocable nature of the offers, IFRS 5 applies to the portfolios in both of the transactions referred to above.

That standard establishes that a non-current asset or a group of assets held for sale shall be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. With regard to the transactions in question, all the conditions required by the standard to qualify the sale as highly probable (summarized below) have been met:

- the Board of Directors is committed to a plan to sell the asset;
- an active program to locate a buyer and complete the plan has been initiated;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

With regard to the qualification of IFRS 9 financial assets as non-current assets (therefore falling within the scope of application of IFRS 5), the Basis for Conclusions of IFRS 5, paragraph BC11, envisage the following case "in relation to assets presented in accordance with a liquidity presentation, the Board decided that non-current should be taken to mean assets that include amounts expected to be recovered more than twelve months after the balance sheet date".

In accordance with that standard, portfolios of non-performing loans for which the amounts due go are expected to be recovered in more than 12 months can be classified as non-current assets and, therefore, having met the other requirements envisaged by IFRS 5, can be classified under assets held for sale.

Financial assets falling within the scope of IFRS 9 - such as the loans involved in the aforementioned transactions - are exempted from the application of the measurement criteria of this standard even when they must comply with the classification and presentation criteria envisaged by IFRS 5. Consequently and with specific reference to the case in question, in application of the measurement criteria pursuant to IFRS 9, the carrying amount of the individual positions subject to reclassification as assets held for sale was adjusted, regardless of sign, to the sale price negotiated with the counterparty.

Accordingly, pursuant to IFRS 5 and in line with the Group's accounting policies, we i) classified the loans involved in the transactions in the balance sheet under non-current assets held for sale in a total amount of about €147 million and ii) recognized under item 130 writebacks/writedowns deriving from the difference between the net carrying amount of the portfolios involved and the price determined with the counterparty.

Targeted Longer -Term Refinancing Operations (TLTRO) with the ECB

Loans under TLTRO III program are variable rate loans, indexed to ECB rates, with a reward mechanism for determining the final rate applicable to each operation based on the achievement of certain performance objectives for eligible loans. Interest is settled in arrears.

The financial terms applicable to loans under the TLTRO III program have been modified by the ECB on several occasions, as discussed in in the reports on operations accompanying these and the previous financial statements, which readers are invited to consult for further information.

The characteristics of the TLTRO III transactions do not allow for immediate classification under cases specifically dealt with by the IAS/IFRS. We believe we can refer by analogy to "IFRS 9 - Financial Instruments" for the purposes of the accounting treatment of the following situations:

- change in the estimates of achievement of the objectives;
- recognition of financial effects, "special interest";
- management of early repayments.

The Group has elected to refer to the provisions of IFRS 9 in accounting for the operations, believing that the funding conditions to which the banks have access through the TLTRO operations promoted by the ECB are on market terms and conditions. These rates can be considered "market rates" since it is the ECB itself that establishes the level, determining this level in line with the lending objectives to be achieved (monetary policy operations). Furthermore, the ECB has the power to change the TLTRO III interest rate at any time. This right of modification by the ECB, however, must be assessed on the basis of paragraph B5.4.5 of IFRS 9 (floating-rate loans), resulting in a change in the internal rate of return (IRR) of the loan to reflect changes in the benchmark rate. A different situation arises when the loan rate changes due to the modification of the forecasts for achieving the benchmark net lending target. In this case, with the same IRR, the modification of future cash flows can only lead to the measurement of the amount of the loan at amortized cost.

Furthermore, the conditions under which interest is to be calculated are a function of the probability of achieving the net lending target.[21]

The operation essentially has the following financial structure:

- it is a floating-rate transaction indexed to the rate on main refinancing operations (MRO), which is the base rate for the main refinancing operations of the ECB;
- in its basic structure it has a spread of -50 bps in the so-called "special interest rate period" from June 24, 2020 to June 23, 2021 and an "additional special interest rate period" from June 24, 2021 to June 23, 2022;
- in the event of achievement of the target for the "special reference period" (from March 1, 2020 to March 31, 2021) and the "additional special interest rate period" (from October 1, 2020 to December 31, 2021), the structure of the transaction changes as follows:
  - the benchmark rate becomes the rate on the ECB's deposit facility (DF), currently -50bp, which can be modified by the ECB during the term of the respective loans;
  - for the "special interest rate period" and the "additional special interest rate period" a cap of -1.00% is applied to the final rate (deposit facility rate – 50bp).
- in the event the target for the "special reference period" is not achieved, three different mechanisms will be applied depending on achievement of the secondary objective (growth of 1.15% between April 1, 2019 and March 31, 2021):
- in the event the target for the "additional special reference period" is not achieved:
  - for the first 7 auctions from June 23, 2021, the rate provided for the three different levels of growth in eligible lending in the period between April 1, 2019 and March 31, 2021 will be applied;
  - for the subsequent 3 auctions, the average MRO rate will be applied for the entire term of the loan, with the exception of the additional special interest rate period (June 24, 2021 – June 23, 2022), during which the average MRO rate less 50 basis points will be applied.

The final rate applicable to each transaction is therefore influenced by three factors:

[21] This accounting choice is consistent with the Public Statement issued by ESMA on January 6, 2021 regarding the "… the third series of the ECB's Targeted Longer-Term Refinancing Operations (TLTRO III)".

- the average rate applicable to the ECB's main refinancing operations, or in case of positive performance, the average deposit facility rate, currently equal to – 0.50%, which can be modified by the ECB during the term of the respective loans, and the rate for the period from November 23, 2022 until maturity;
- a fixed spread, in favor of Iccrea Banca, equal to 4.5 bp, which can be reduced or reset to zero under certain conditions;
- the possible performance of the TLTRO Group as a whole and the individual performance of each mutual bank.

On September 10, 2021, the Bank of Italy confirmed that the Iccrea Group had fully achieved the target set for the two-year period March 2019-March 2021 and for the first special period. The application of the most favorable rate, equal to -1% (DF rate + spread – 0.5%) is definitive. The rates for the additional special interest rate period were announced by the Bank of Italy on June 10, 2022, confirming full achievement of the target for that period as well.

On October 27, 2022, the ECB again amended the conditions applicable to the TLTRO III program to ensure consistency with the monetary policy normalization process, helping to address the unexpected and extraordinary increase in inflation.

From November 23, 2022, the rate applicable to transactions still outstanding is indexed to the reference interest rate applicable during this period, maintaining the previous rules for the earlier periods with the application of an average rate for the period.

In the light of the ECB's changes in the interest rate applicable to TLTRO funding and as a consequence of the method of calculating interest, the directors, in line with the guidelines set by the Parent Company, deemed it appropriate, in accordance with the provisions of paragraph 3.3.2 of IFRS 9, as at 23 November 2022, to derecognize the financial liability in question, since the aforementioned interventions by the ECB can be considered as substantial modification of the contractual terms, and therefore to re-recognize the item in accordance with the new lending terms and subsequent valuation in compliance with paragraph B.5.4.5 of IFRS 9.

Three additional early repayment dates for TLTRO III loans have also been introduced, respectively November 23, 2022, January 25, 2023 and February 22 2023.

Interest accrued at December 31, 2022, recognized in the income statement under item "10. Interest and similar income", amounted to a total of €194 million.

Purchase of tax credits

Among the urgent measures deployed in response to the COVID 19 pandemic and to support the real economy, Decree Law 18/2020 (the "Cure Italy Decree") and Decree Law 34/2020 (the "Revival Decree") introduced specific tax incentives into Italian law in the form of tax credits.

In view of the economic substance of these transactions, their accounting treatment is based - by analogy and where applicable - on the provisions of IFRS 9 on financial instruments.

More specifically, at the time of initial recognition, the tax credit is recognized at the purchase price - comparable to a Level 3 fair value, given that there are no official markets or comparable transactions - satisfying the condition established under IFRS 9 according to which financial assets and liabilities must be initially recognized at fair value. Subsequent measurement of these assets - in line with the requirements of IAS 8 concerning the imperative to provide reliable and relevant information on all transactions and other events, including "atypical" cases, reflecting the economic substance of the credits – assuming classification within an HTC business model – shall be based on the rules in IFRS 9 governing financial assets at amortized cost. Accordingly, this shall consider: i) the time value of money; ii) the use of an effective interest rate and iii) the use of the tax credit through offsets. The effective interest rate is originally determined so that the discounted cash flows associated with the expected future offsets estimated over the expected term of the tax credit - taking account of the fact that the tax credit not used in each period cannot be recovered – shall equal the purchase price of the tax credits.

With regard to the use of the amortized cost method, IFRS 9 requires a periodic review of the estimated cash flows, adjusting the gross carrying amount of the financial asset to reflect the actual and revised cash flows. In making these adjustments, in accordance with paragraph B5.4.6 of IFRS 9, the new cash flows shall be discounted at the original effective interest rate.

Therefore, if during the period in which the credits are being offset it is necessary to revise the initial estimates concerning the offsetting of the tax credit or if the actual offsets differ from the estimates, the gross carrying amount of the tax credit (revised on the basis of the present value of the reformulated estimates/actual uses of the tax credit, discounted at the original effective interest rate) is adjusted to correctly reflect the use of the tax credit.

In terms of presentation in the financial statements, the tax credits shall be classified under "Other assets", given that under the applicable international accounting standards they do not represent tax assets, government grants, intangible assets or financial assets and therefore cannot be classified under more specific aggregates of bank balance sheet.

Credits subject to assignment are designated and measured at fair value through profit or loss.

The interest income on credits for which periodic sales of portions of the portfolio are possible (credits not already identified for transfer at the time of purchase) is recognized in profit or loss in the same manner as receivables at amortized cost. Changes in fair value are initially recognized in OCI. When the tax credit is derecognized, the changes in fair value previously recognized in OCI and accumulated in equity are

reclassified to profit or loss.

Covered bonds

In 2021 and 2022, the Group conducted an issue of covered bonds (guaranteed bank bonds), a multi-originator transaction in which a number of Group banks sold high credit quality assets to a vehicle. The assets were of a quality such as to serve as collateral for the guarantee issued by the vehicle to the subscribers of the covered bonds issued under the program. At the same time, the banks granted the vehicle a subordinated loan (the CB Loan) to fund the purchase of those assets, the repayment of which is linked to the performance of the asset portfolio transferred to the vehicle. Following the sale, the Parent Company issued the covered bonds backed by the aforementioned guarantee. Subsequently, the Parent Company granted a loan with conditions and characteristics consistent with those of the covered bonds issued to the affiliated banks that contributed the assets to be sold.

Under the transaction structure, the Vehicle, making use of a non-Group custodian, receives from the Originator the cash flows represented by the loan payments it collects, the principal amount of which it retains, returning the interest portion to the Originator as remuneration of the loan received. Periodically, the cumulative loan principal collections on the assets forming the cover pool are used to purchase other high credit quality assets from the Originator. The Originator banks undertake to maintain the credit quality of the cover pool over the course of the transaction. In the event of a deterioration in credit quality, they will repurchase the loans involved from the Vehicle and transfer new high credit quality assets in an amount suitable to replenish the original guarantee.

Very briefly, in addition to the multi-originator profile of the parties transferring the assets that form the cover pool, the transaction is characterized by the identity of the originator bank and the bank granting the vehicle the subordinated loan to purchase the assets. The subordinated loan from the Originator to the Vehicle to finance the purchase of receivables qualifies as a limited-recourse loan, as the repayment and return are conditional on developments in the cover pool. From a substantive point of view, the assignor/lending banks therefore remain exposed to the risk of the assets pledged as collateral as if the transfer had not taken place. They are also required to replenish the guarantee if the quality of the assets deteriorates and their value falls below the thresholds specified in the contractual arrangements.

Taking account of the role played in the transaction and the corresponding risk profiles, as a result of the sale the banks lose legal title to the assets making up the cover pool. However, those assets continue to be recognized for accounting and financial reporting purposes (as well as for supervisory reporting and prudential purposes) since they do not pass the derecognition test because the assignors retain exposure to the risks and rewards of the assets through the grant of the subordinated limited-recourse loan to the vehicle (in compliance with the provisions of paragraphs 3.2.15 and B3.2.1 of IFRS 9). Accordingly, the banks continue to apply the ordinary accounting treatment adopted prior to the sale to the transferred assets and recognize a receivable due from the vehicle for the principal amounts collected from the transferred borrower and consequently retroceded to the vehicle.

Securities obtained against assets transferred in non-cash transactions

In compliance with applicable accounting standards and the guidelines set out in Document no. 8 of the Bank of Italy, CONSOB and IVASS coordination group, investment fund units acquired in return for the transfer of impaired loans (bad loans or unlikely-to-pay positions), having verified the absence of any obligation to consolidate the fund and the possibility of derecognizing the transferred loans (given failure to pass the SPPI test) are classified as instruments measured at FVTPL.

For the purposes of determining the fair value of these instruments, both at initial recognition and in subsequent measurement, the analysis of cash flows, the discount rates applied and the other assumptions adopted are consistent with the characteristics of the impaired loans transferred. Finally, if the NAV calculated by the fund does not represent a fair value measure in compliance with the provisions of IFRS 13, the Group uses its own valuation policies and, where necessary, applies liquidity discounts to the NAV of the units held.

Interest rate benchmarks – Benchmarks Regulation

On the basis of the regulatory framework defined by Regulation (EU) no. 2016/1011 Regulation (EU) no. 2016/1011 of the European Parliament and of the Council of June 8, 2016 (the "Benchmarks Regulation – BMR")[22], the European Money Market Institute - EMMI - the administrator of the EURIBOR and EONIA indices, concluded that none of the benchmarks it administers was compliant with the BMR. Consequently, it was decided to:

- move ahead with the progressive replacement of the EONIA rate with another overnight benchmark published by the ECB (€STR);

[22] The regulation set out the new regulatory framework governing the benchmark rates EURIBOR, LIBOR and EONIA, aligning market indices and the methodology with which they are calculated with international principles in order to ensure the integrity of the reference parameters used in the euro area (including benchmark interest rates), reducing the scope for discretion, improving governance controls and addressing conflicts of interest.

- modify the methodology used to calculate EURIBOR by adopting a hybrid approach that combines transaction data with expert judgement.

In the finance area, the impact of the benchmark rate reform on the affiliated banks have mainly concerned transactions in OTC derivatives in euros subject to netting, which are carried out for hedge accounting purposes and can be summarized as follows:

- the definition and modification of valuation models for derivatives and hedged items;
- any additional ineffectiveness resulting from those changes;
- any hedging relationships to be discontinued due to test failure;
- modification of the measurement procedures.

With regard to the finance area, and in particular OTC derivatives transactions carried out with market counterparties, the entire contractual framework was revised by adopting the new ISDA Master Agreement (ISDA) protocol and implementing the corrective actions envisaged to manage the transition. Significant activities, for example for operations in euros, include a revision of the overnight discount curve (which for this currency was the EONIA curve) used as part of collateral management activities envisaged in the contractual documentation supplementing ISDA contracts, notably Credit Support Annexes (CSAs) at the supervised intermediary level.

Following the discontinuation of EONIA as of January 3, 2022, the Parent Company initiated renegotiations with the counterparties in outstanding CSAs, primarily opting to use the €STR Flat discount curve (€STR Discounting).

The transition from EONIA Discounting to €STR Discounting, given the EONIA equivalence of €STR+8.5 bps, involved a parallel variation of 8.5 bps in the discount curve, with an impact on the measurements (MTM) of financial instruments held at the date agreed for the transfer with the individual counterparty.

The change in MTM connected with the change in methodology was managed through cash compensation, i.e. offsetting the change in the value of one's positions through a cash settlement with the counterparty of the amount corresponding to the change in the MTM value.

Since most of the quotations of "LIBOR" benchmark rates have no longer been available since January 1, 2022, the Banking Group has adopted the “IBOR ISDA fallback rates” for GBP, JPY, CHF and USD as substitutes for LIBOR. These rates, which comply with the Benchmarks Regulation, are determined by Bloomberg on behalf of the ISDA and are published daily on Bloomberg's FBAK page.

In this regard, the new risk free rates available on the market (SONIA, TONAR, SARON and SOFR) within the various currency areas are overnight rates determined daily on the basis of transactions conducted on the money market, whereas the various LIBOR rates, which have been terminated, instead had a range of maturities. Obtaining replacement rates for LIBOR with a term of more than one day, starting from one of the aforementioned risk-free overnight rates, can adopt two different approaches: backward-looking or forward-looking.

In the specific case, the IBOR ISDA fallback rates available for maturities longer than one day are of the backward-looking type, i.e. they are calculated on the basis of the values of the risk-free rates actually registered in a given time interval, which constitutes the observation period.

Specifically, the IBOR ISDA fallback rates are calculated as the sum of: i) each of the above risk-free rates, as recorded and capitalized daily over a period of time consistent with the maturity considered (1 month, 3 months, 6 months, etc.). In other words, for each risk free rate, the geometric mean is calculated for the observation period considered; ii) the spread adjustments calculated, within the framework of the ISDA protocol, as the average of the differences observed, over a time horizon of 5 years, between each IBOR and the related overnight rates.

As regards the issue of contractual fallback language and the clauses necessary for informing customers of decisions regarding the benchmark indices, Iccrea Banca has drafted a standard fallback clause, which has been incorporated into existing MCD and CCD contracts, sending customers a specific notice of the change, and been integrated into standard contracts for new customers, in line with the mechanism envisaged under the BMR regulations. Contracts with non-consumer counterparties have long contained a specific clause concerning the management of changes affecting the benchmarks.

Quantitative information on non-derivative financial assets and liabilities and derivative instruments that have yet to switch to an alternative benchmark rate at the end of the reporting period, disaggregated by the benchmark for determining interest rates, is provided below:

	Non-derivative financial assets	Non-derivative financial liabilities	Derivatives
	Carrying amount	Carrying amount	Notional amount
BENCHMARK			
EONIA	49	-	-
EURIBOR 1 M	6,833	-	5,744,475
EURIBOR 3 M	2,352,462	896,523	1,279,193
EURIBOR 6 M	1,603,437	1,182,082	15,374,410
LIBOR USD	-	-	67,000
Other	33,242	631,336	354,100
Total	**3,996,023**	**2,709,941**	**22,819,178**

Rights of use in leases

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

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

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

As at December 31, 2022, the Group assessed developments in the rates used to discount lease payments and the possible presence of unused leased properties. At reporting date, no critical factors were found regarding the stability of the recoverable value of the right-of -use assets recognized in respect of leases.

Correction of errors

During the third quarter of 2022, following analysis conducted on the basis of clarifications in this regard formulated by the Parent Company, an affiliated bank identified accounting errors in the treatment of costs incurred by the SPV and servicing fees as part of a self-securitization in which it participated as originator. Although unintentional, the bank considered the accounting error to be material with respect to its individual financial statements as a whole and in relation to own funds. Accordingly, the amount of the difference ascertained with respect to the balance of the receivable from the SPV led to a change of €1.8 million in the opening balance of retained earnings at January 1, 2022.

During 2022, as part of an audit, a misalignment between the accounting and management balance was found at an affiliated bank, which had originated on the occasion of the migration to the BCC SI application.

Although unintentional, the bank considered the accounting error to be material with respect to its individual financial statements as a whole and in relation to own funds, prompting a change of €2.1 million in the opening balance of retained earnings at January 1, 2022.

Consolidated tax mechanism option

Iccrea Banca S.p.A. and the Group subsidiaries belonging to the so-called “direct scope” have adopted the “consolidated tax mechanism”, governed by Articles 117-129 of the Uniform Income Tax Code (“TUIR”), introduced with Legislative Decree 344/2003. It consists of an optional tax regime under which total net income or the tax losses of each subsidiary taking part in the tax consolidation –along with withholdings, deductions and tax credits – are transferred to the parent company. Only one taxable income or tax loss that can be carried forward (the algebraic sum of the parent company’s and its participating subsidiaries’ income/losses resulting in a single tax payable/receivable) is calculated and attributed to the parent company. Under this option, the Group companies that participate in the consolidated tax mechanism calculate their tax liabilities and the corresponding taxable income, which is transferred to the parent company. If one or more subsidiaries reports negative taxable income, the tax losses are transferred to the parent company when there is consolidated income for the period or a high probability of future taxable income.

Other issues

The consolidated financial statements have been audited by Mazars Italia S.p.A., which has also been engaged to monitor the keeping of the accounts pursuant to Article 14 of Legislative Decree 39/2010; the engagement for the period 2021-2029 was conferred in execution of the shareholders’ resolution of May 28, 2021.

A.2 - THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section sets out the accounting policies adopted in preparing the consolidated financial statements. The presentation of these accounting policies is broken down into stages – classification, recognition, measurement and derecognition - for the various asset and liability items. A description of the impact on profit or loss, where material, is provided for each stage.

Classification of financial assets

Financial assets are classified in the categories envisaged by IFRS 9 on the basis of both of the following elements:

- the business model used to manage the financial assets;
- the characteristics of the contractual financial flows of the financial asset (the "SPPI Test" - *Solely Payments of Principal and Interest Test*).

If the business model is identified as hold to collect and the asset passes the SPPI test, the asset is recognized at amortized cost (AC).

If the business model is identified as hold to collect and sell and the asset passes the SPPI test, the asset is recognized at fair value through other comprehensive income (FVTOCI).

Finally, if the business model differs from those specified above or the asset does not pass the SPPI test in both of the two previous cases, the asset is recognized at fair value through profit or loss (FVTPL).

The business model

IFRS 9 identifies three different business models, which in turn reflect the ways in which financial assets are managed:

- "Hold to collect": this includes financial assets held with the objective of collecting contractual cash flows, retaining the financial instrument to maturity, with the exception of sales permitted under Group policies in line with IFRS 9;
- "Hold to collect and sell": this includes financial assets held with the aim of both collecting contractual cash flows over the life of the assets and the proceeds from the sale of those assets;
- "Other": this is a residual business model that includes financial instruments that cannot be classified in the previous categories, mainly represented by financial assets held for the purpose of generating cash flows through sale (including trading).

The business model does not depend on management's intentions for each individual instrument, but is determined at a higher level of aggregation. It is therefore possible for an entity to adopt more than one business model in managing financial instruments, including in respect of the same financial asset. For example, a tranche of a security could be purchased as part of a hold to collect business model, while a second tranche of the same instrument could be acquired both to collect the contractual cash flows and to sell it (HTCS). The assessment of which business model has been adopted is based on reasonably possible scenarios and not on scenarios that unlikely to occur (such as "worst case" or "stress case" scenarios), taking account, among other things, of the way in which:

- the performance of the business model and the assets at initial recognition are evaluated by key management personnel;
- risks that impact the performance of the business model and the assets involved in initial recognition are managed;
- the managers of the business are remunerated.

From an operational point of view, the Iccrea Group identifies the business models used to manage financial assets in accordance with its own judgment, as governed by internal rules. The assessment is not determined by a single factor or activity, but rather by considering all the relevant information available at the assessment date, ensuring ongoing consistency with strategic and operational planning. In this sense, the business models of the Iccrea Group are identified on the basis of the granularity of the portfolio and the level of definition of the business, identifying key managers in accordance with the provisions of IAS 24, the nature of the products and type of underlying asset, the methods for evaluating performance and how these are reported to key management, the risks that impact the business accounting model and how these risks are managed, manager remuneration arrangements and the volume of sales.

With specific reference to the "hold to collect" model, according to IFRS 9, the sale of a debt instrument or a loan does not itself determine the business model. In fact, an HTC business model does not necessarily imply that an instrument will be held to maturity and the standard itself offers examples of sales deemed admissible within this model. Accordingly, the Group's policies govern the types of sale considered consistent with this model, as in the case of sales made in response to an increase in the credit risk of the counterparty.

Specifically, sales that have occurred as a result of the following circumstances are considered consistent with this business model:

- in the case of an increase in credit risk and, more specifically:
    - on the basis of developments in CDS spreads with regard to the securities portfolio, taking due account of all reasonable and supportable information concerning forecasts, approved/authorized as appropriate;

    - on the basis of the staging indicator for the loan portfolio;

- in the case of sales that occur near the maturity date, i.e. when they approximate the cash flows that would be generated obtained by not selling the security;
- to manage structural liquidity in order to respond to extreme liquidity situations;
- when the sales are frequent but not material in value terms or are occasional even if material in value terms. Frequency and materiality thresholds have been specified to determine those aggregates:
    - frequency is defined as the number of trading days considered in the period considered;
    - materiality is defined as the percentage ratio between the nominal value of sales and the total nominal value of the instruments held in the portfolio during the period considered.

In cases where both frequency and materiality thresholds are exceeded, an assessment must be conducted to determine compliance with the requirements of the business model identified.

The SPPI test

In order to determine whether a financial asset can be measured at amortized cost or at fair value through other comprehensive income, it is important to determine whether the contractual cash flows of the asset are represented by solely payments of principal and interest on the principal amount outstanding. Such contractual flows are compatible with a basic lending arrangement, where the consideration for the time value of money and credit risk are typically the most significant elements of interest. However, interest may also include consideration for other risks, such as liquidity risk, and the costs associated with holding the financial asset. Furthermore, interest may also include a profit margin that is compatible with a basic lending arrangement. The principal amount is represented by the fair value of the financial asset at recognition. Contractual terms introducing exposure to risks or volatility in contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to inverse changes in interest rates, in equity prices or in commodity prices, do not give rise to contractual cash flows that are solely payments principal and interest on the principal amount outstanding. As determined by analysis conducted by the Group, such types of instrument cannot be considered SPPI-compliant and must therefore be measured at fair value through profit or loss.

In some cases, the time value of money element may be modified. That would be the case if a financial asset’s interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate (for example, the interest rate resets every month to a one-year rate). When assessing a modified time value of money element, the objective is to determine how different the contractual cash flows could be from the cash flows that would arise if the time value of money element was not modified In these cases, IFRS 9 requires the performance of a “benchmark test”, an exercise that involves comparing the interest on the actual instrument, calculated at the contractually specified interest rate, and the interest on the benchmark instrument, calculated using the interest rate that does not contain the change in the time value of money, all other contractual clauses being equal. The benchmark test therefore consists of a comparison between the sum of the undiscounted expected cash flows of the actual instrument and the sum of those for the benchmark instrument. In doing so, we consider only reasonably possible scenarios, therefore excluding stress test scenarios.

Furthermore, for the purposes of the SPPI test, any contractual term that could change the timing or amount of the contractual cash flows (for example, the case of a prepayment option, subordinated instruments or an option to extend the term for payment of principal and/or interest) shall also be considered.

Finally, a contractual cash flow characteristic does not affect the classification of the financial asset if it could only have a de minimis effect on the cash flows. At the same time, if a contractual cash flow characteristic is “not genuine”, it does not affect the classification of the financial asset. A cash flow characteristic is not genuine if it affects the instrument’s contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. To make a determination of the de minimis effect, an entity must consider the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial instrument.

From an operational standpoint, the Group has established guidelines for conducting the SPPI test, which represent the methodology adopted by the Group and reflected in its internal rules, so as to be able to represent the benchmark instrument for the performance of the testing by all the functions involved. In this context, with specific reference to the loan portfolio, these guidelines have been implemented in a tool within the Group’s application systems that enables the benchmark test to be performed. With specific reference to the securities portfolio, on the other hand, the outcome of the test is provided by a leading sector info-provider, based on the guidelines and methods defined by the Group.

1 - Financial assets measured at fair value through profit or loss

Classification

This category includes financial assets, regardless of their technical form, which are not recognized under financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. More specifically, the category comprises:

- financial assets held for trading, mainly represented by debt securities, equity instruments and the positive value of derivatives held for trading;
- financial assets designated as at fair value, i.e. financial assets so designated at the time of initial recognition and where the appropriate conditions are met. In particular, financial assets are designated as irrevocably measured at fair value through profit or loss if, and only if, doing so eliminates or significantly reduces an accounting mismatch;
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These comprise financial assets whose contractual terms do not provide for solely payments of principal and interest on the principal amount outstanding (i.e. that do not pass the SPPI test) or which are not held within the framework of a business model whose objective is the hold assets in order to collecting their contractual cash flows (the hold to collect business model) or to both collect the contractual cash flows and sell the financial assets (the hold to collect and sell business model).

The category therefore includes:

- debt securities and loans that are held as part of an “other” business model or that do not pass the SPPI test;
- equity instruments - that do not represent an interest in subsidiaries, associates or joint arrangements - held for trading or for which the option at the time of initial recognition to designate them as held at fair value through other comprehensive income was not exercised;
- units in collective investment undertakings and derivative instruments.

With regard to derivatives, this item also includes derivatives embedded in a financial liability or in a non-financial contract (the “host contract”). The combination of a host contract and the embedded derivative is a hybrid instrument. In this case the embedded derivative is separated from the host contract and recognized as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the characteristics of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

In accordance with the provisions of IFRS 9, reclassifications are allowed only following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity’s senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk.

Recognition

Debt and equity securities are initially recognized at the settlement date, while derivative contracts are recognized at the trade date. Financial assets are initially recognized at fair value, which is usually the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss.

Measurement

Financial assets measured at fair value through profit or loss are measured at fair value following initial recognition. The effects of the application of this treatment are recognized through profit or loss.

For financial instruments listed on active markets, the fair value of financial assets or liabilities is determined on the basis of the official prices at the reporting date. For financial instruments that are not listed on active markets, including equity instruments, fair value is determined using valuation techniques and observable market data, such as: the price of listed instruments with similar features, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions.

With specific regard to equity instruments not listed on an active market, cost is used as an estimate for fair value only in rare cases in a limited number of circumstances, i.e. where cost represents the best estimate of fair value among a wide range of fair values, making cost the most significant value, or in cases in which the valuation techniques referred to above are not applicable.

For more information on the determination of fair value, please see section A.4 “Fair value disclosures” of Part A of the notes to the financial statements.

Derecognition

Financial assets measured at fair value through profit or loss are derecognized when the contractual rights to the cash flows expire, are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to third parties.

Recognition of income components

The results of the measurement of financial assets held for trading are recognized through profit or loss under “Net gain (loss) on trading activities”. The results of the measurement of financial assets designated as at fair value and of those mandatorily measured at fair value are instead recognized under “Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss”, respectively under sub-items “a) financial assets and liabilities designated as at fair value” and “b) other financial assets mandatorily measured at fair value. Dividends from equity instruments held for trading are recognized through profit or loss under “Dividends and similar income” when the right to receive payment is established.

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

Classification

This category includes financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the HTCS business model) and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. they pass the SPPI test).

The category also includes capital instruments not held for trading for which the option envisaged under IFRS 9 was exercised at the time of initial recognition to designate them as held at fair value through other comprehensive income with no recycling to profit or loss of any gains or losses on disposal.

Specifically, the item includes:

- loans and debt securities held with a “hold to collect and sell” business model that pass the SPPI test;
- equity interests - that do not represent an interest in subsidiaries, associates or joint arrangements – not held for trading for which the option was exercised at the time of initial recognition to designate them as held at fair value through other comprehensive income. This includes equity investments intended to strengthen the Group’s commercial presence and extend its reach into business areas in which it is not present. Similarly, this option is exercised for equity instruments that have been acquired for strategic and institutional purposes and are therefore held with no intention of selling them in the short term, representing instead a medium/long-term investment.

In accordance with the provisions of IFRS 9, reclassifications are only allowed following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity’s senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Group’s operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk. In the event of the reclassification of financial assets measured at fair value through other comprehensive income to the category of financial assets measured at amortized cost, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. In the event of reclassification to financial assets measured at fair value through profit or loss, the cumulative gain or loss previously recognized in other comprehensive income is recognized though profit or loss.

Recognition

Financial assets measured at fair value through other comprehensive income are initially recognized at the settlement date for debt or equity securities and at the disbursement date for loans.

Financial assets are initially recognized at fair value, which is generally the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss. The initial recognition value includes direct transaction costs or revenue determinable at the recognition date, even if settled at a later time.

Measurement

Following initial recognition, financial assets measured at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the value corresponding to the amortized cost recognized in the income statement. Gains and losses from changes in the fair value are recognized in a special equity reserve until the asset is derecognized or they incur an impairment loss. Upon disposal or the recognition of an impairment loss, the cumulative gain or loss recognized in the equity reserve is reversed to profit or loss.

Equity instruments classified in this category under the option provided for by IFRS 9 are measured at fair value through other comprehensive income. Unlike other instruments classified here, however, those amounts are not subsequently transferred to profit or loss, even if the instruments are sold (no recycling). Accordingly, the only element associated with the equity instruments recognized through profit or loss is any associated dividends.

Fair value is determined using the criteria adopted for financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income represented by debt securities are assessed for any significant increase in credit risk (impairment) like assets measured at amortized cost, with the consequent recognition through profit or loss of a provision to cover expected loss. More specifically, if at the measurement date no significant increase in credit risk is found compared with the date of initial recognition (stage 1), the 12-month expected loss is recognized. Conversely, the lifetime expected loss is recognized for instruments whose credit risk has increased significantly since initial recognition (stage 2) and for impaired exposures (stage 3). Equity instruments do not undergo lifetime impairment testing, i.e. calculated over the entire residual life of the financial asset. Equity securities do not undergo impairment testing.

Derecognition

Financial assets measured at fair value through other comprehensive income are derecognized when the contractual rights to the cash flows expire/are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

Recognition of income components

Gains and losses from changes in fair value are recognized in a specific equity reserve until the asset is derecognized. The equity reserve representing the cumulative changes in the fair value of equity instruments for which the option to irrevocably designate the instrument as at fair value through other comprehensive income was exercised is not reversed through profit or loss even when the asset is derecognized, while dividends in respect of such instruments are recognized through profit or loss.

Interest calculated on debt instruments using the effective interest method, which takes account of both the amortization of transaction costs and the differential between the initial value and the repayment value, are recognized under “Interest and similar income”.

Writedowns and writebacks for credit risk and the recognition of an impairment loss are recognized under the item “ Net losses/recoveries for credit risk in respect of financial assets measured at fair value through other comprehensive income”, with a corresponding adjustment of the relevant valuation reserve in equity.

Cumulative gains and losses recognized in other comprehensive income are recognized through profit or loss under item 100 “Gain (loss) on disposal of financial assets measured at fair value through other comprehensive income” on the disposal of the asset.

Dividends on an equity instrument are recognized through profit or loss when the right to receive payment is established.

3 - Financial assets measured at amortized cost

Classification

This category comprises financial assets such as loans and debt securities held within a business model whose objective is achieved by collecting contractual cash flows on a financial asset ("hold to collect" business model) that are solely payments of principal and interest on the principal amount outstanding (i.e. they pass the SPPI test).

Specifically, this category includes credit exposures to banks (including the central bank) and to customers that, regardless of technical form (bonds, loans, credit lines and deposits), meet the requirements indicated above.

In accordance with the provisions of IFRS 9, reclassifications are allowed only following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity's senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. This occurs, for example, when a relevant activity is begun or terminated after the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk. In the event of the reclassification of financial assets measured at amortized cost to the category of financial assets measured at fair value through other comprehensive income, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. In the event of reclassification to financial assets measured at fair value through profit or loss, the gain or loss is recognized though profit or loss.

Recognition

Financial assets are initially recognized at the settlement date for debt securities and at the disbursement date for loans. The initial amount recognized is equal to the amount disbursed or subscription price, including costs and revenue directly attributable to the transaction and determinable from the inception of the transaction, even if settled at a later time. The initially recognized amount does not include costs to be reimbursed by the debtor or that can be characterized as normal administrative overhead costs.

The initial recognition amount of loans disbursed at non-market conditions is equal to the fair value of the loans, determined using valuation techniques. The difference between the fair value and the amount disbursed or the subscription price is recognized through profit or loss.

Securities repurchase transactions are recognized as funding or lending transactions. Transactions involving a spot sale and a forward repurchase are recognized as payables in the amount received spot, while those involving a spot purchase and a forward sale are recognized as receivables in the amount paid spot.

Transactions with banks through correspondent accounts are recognized at the time of settlement and, therefore, these accounts are adjusted for all non-liquid items regarding bills and documents received or sent registered as 'subject to collection' or after actual collection.

Where, in the event of unusual circumstances, the assets are recognized in this category following reclassification form financial assets available for sale or from financial assets held for trading, the fair value of the assets at the date of reclassification shall be deemed to be the new amortized cost of the assets.

Measurement

Subsequent to initial recognition, financial assets are measured at amortized cost, using the effective interest rate method. The amortized cost equals the amount at which a financial asset is measured at initial recognition decreased by principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, minus any reduction (directly or through the use of a provision) due to impairment or non-recoverability.

In certain cases, a financial asset may be considered impaired at initial recognition because its credit risk is very high and, in the case of a purchase, is acquired at a large discount to its value at initial issue.

Amortized cost is not used for very-short-term loans, loans without a specified maturity or revocable loans, for which the impact of this method can be considered not material. These positions are measured at cost.

The measurement effects strictly consider the three different credit risk stages provided for in IFRS 9. The stages can be summarized as follows:

- stage 1 and 2 including performing financial assets;
- stage 3 including impaired financial assets.

With regard to the presentation of measurement effects in the accounts, value adjustments of this type of asset are recognized through profit or loss:

- at the time of initial recognition in an amount equal to 12-month expected credit losses;
- at the time of subsequent measurement of the asset where credit risk has not increased significantly since initial recognition in an amount equal to the change in the loss allowance for 12-month expected credit losses (stage 1);
- at the time of subsequent measurement of the asset where credit risk has increased significantly since initial recognition in an amount equal to the loss allowance for lifetime expected credit losses (stage 2);
- at the time of subsequent measurement of the asset where credit risk has increased significantly since initial recognition but the increase is no longer "significant" in an amount equal to the adjustment of the cumulative loss allowances to take account of the transition from lifetime expected credit losses to 12-month expected credit losses (return to stage 1).

Financial assets recognized in this category are tested for impairment periodically and in any event at the close of each reporting period in order to determine any value adjustments to be recognized at the level of individual loans (or tranches of a security) as a function of the risk parameters represented by Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD), appropriately modeled to take account of the provisions of IFRS 9. The amount of the value adjustment recognized through profit or loss therefore takes into consideration so-called forward-looking information and possible alternative recovery scenarios. If, in addition to a significant increase in credit risk, financial assets show objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the assets (classified as "impaired") and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial assets. The assessment of the impairment loss and the consequent amount to be recognized in profit or loss is conducted on an individual basis or determined by creating groups of positions with a uniform risk profile.

Non-performing loans, unlikely-to-pay positions, restructured exposures and past-due or over-limit exposures are considered impaired in accordance with the applicable rules of the Bank of Italy, consistent with the IAS/IFRS and European supervisory regulations (stage 3).

Measurement of the financial assets takes account of the best estimate of expected future cash flows in respect of principal and interest payments. Also taken into consideration is the realizable value of any guarantees excluding recovery costs, recovery times estimated based on contractual maturities, if any, and on reasonable estimates in the absence of contractual provisions, and the discount rate, which is the original effective interest rate. For impaired positions at the transition date, where determining this figure would be excessively burdensome, the Bank has adopted reasonable estimates, such as the average rate of loans for the year in which the loan was first classified as a bad debt, or the restructuring rate.

If the reasons for the impairment should cease to obtain following an event that occurred subsequent to the recognition of the impairment loss, a writeback is taken to profit or loss. The value of the financial asset after the writeback shall not exceed the amortized cost that the instrument would have had in the absence of the prior writedown. See the section on procedures for determining impairment for more information.

Where these financial assets are classified as measured at amortized cost or at fair value through other comprehensive income, they are classified as "purchased or originated credit impaired" ("POCI") and receive special treatment in terms of impairment, with the recognition of lifetime expected credit losses. In addition, the credit-adjusted effective interest rate is calculated for financial assets identified as POCIs at initial recognition. This rate reflects initial expected losses in estimating cash flows. In using amortized cost method, and the consequent calculation of interest, therefore, this credit-adjusted effective interest rate is therefore used.

Derecognition

Financial assets measured at fair value through other comprehensive income are derecognized when the contractual rights to the cash flows expire/are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to determine whether substantially all the risks and rewards have been transferred, the financial assets are derecognized if no form of control over it is retained. Conversely, where even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement in the asset, measured by the exposure to changes in value of the transferred assets and changes in their cash flows.

Transferred financial assets are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

In certain cases, during the course of the life of financial assets, in particular loans, the terms of the contract may be modified from those in force at the time of initial recognition. In these circumstances, the modified terms must be analyzed to determine whether the original assets can continue to be recognized or must instead be derecognized, with the consequent recognition of new modified financial assets. In general, modifications of contractual terms lead to the derecognition of the financial asset and the recognition of a new asset when they are considered to be "substantial", with the recognition in profit or loss of any difference in carrying amounts.

In conducting this assessment, qualitative judgments are called for. To this end, the assessment shall consider:

- the reasons for the modifications, distinguishing, for example, between renegotiations carried out for commercial reasons or in response to the counterparty's financial difficulties:
  - transactions carried out with performing counterparties for reasons other than debtor's financial difficulties, and therefore not related to a change in the creditworthiness of the borrower, are considered commercial renegotiations, which have the main objective of adjusting the cost of credit to market conditions. These cases include all renegotiations aimed at maintaining the commercial relationship with the client, and are therefore carried out with the aim of retaining the counterparty, who might otherwise turn to another bank. In this case, these modifications are considered substantial because if they did not occur, the customer could turn to another financial institution, thus causing the bank to lose future revenue;
  - transactions whose objective is to maximize the recoverable amount of the loan are considered renegotiations due to financial difficulties of the counterparty, with the creditor therefore willing to accept a restructuring of the debt on terms potentially favorable to the debtor. In these circumstances, it is generally assumed that there has essentially been no extinguishment of the original cash flows that would therefore require derecognition of the original loan. Consequently, these types of renegotiation represent the majority of cases presented in the financial statements through "modification accounting", in which the difference between the carrying amount and the recalculated value of the financial asset is recognized in profit or loss by discounting the renegotiated or modified cash flows at the original effective interest rate;
- the presence of specific objective elements that substantially modify the characteristics and/or cash flows of the financial instrument, such that they would entail the derecognition of the instrument and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual terms that would cause the asset to fail the SPPI test or a change in the denomination of the currency of the instrument, as the entity would be exposed to a new risk.

Recognition of income components

Interest on financial assets measured at amortized cost is recognized under "Interest and similar income" in the income statement using the effective interest criterion, which takes account of both the amortization of transaction costs and the differential between the initial value and the repayment value.

Gains or losses on the financial assets in question are recognized in profit or loss when the assets are derecognized or have incurred an impairment loss.

More specifically, gains or losses deriving from the sale of an asset are, as previously noted, recognized in the income statement under the item "Gain (loss) on the disposal or repurchase of: a) financial assets measured at amortized cost" on the disposal of the asset.

Writedowns and writebacks for credit risk are recognized under "Net losses/recoveries for credit risk in respect of: a) financial assets measured at amortized cost", with a corresponding adjustment of the relevant provision.

4 - Hedging

The Iccrea Cooperative Banking Group has elected to exercise the option to continue to apply the rules provided for in IAS 39 governing hedge accounting for each type of hedge (the "opt-out" option).

Classification

Risk hedging transactions are intended to neutralize the potential losses recognized on a given element or group of elements attributable to a given risk in the event that risk should actually be realized.

The types of hedges permitted under IAS 39 are as follows:

- fair value hedges, which are intended to hedge the exposure to the risk of changes in the fair value (due to the various types of risk) of assets and liabilities or portions of assets and liabilities, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities as permitted under IAS 39 as endorsed by the European Commission;
- cash flow hedges are intended to hedge the exposure to the risk of changes in the future cash flows on recognized assets or liabilities or on highly probable forecast transactions. This type of hedge is essentially used to stabilize interest flows on variable-rate funding to the degree that the latter finances fixed-rate lending. In some circumstances, analogous transactions are carried out for certain types of variable-rate lending.

Only instruments that involve a non-Group counterparty can be designated as hedging instruments.

The items "hedging derivatives" among assets and liabilities include the positive and negative values of derivatives that establish effective

hedging relationships.

Recognition

Hedging derivatives and the hedged financial assets and liabilities are reported in accordance with hedge accounting rules. In particular, derivative instruments with a positive fair value are recognized under "Hedging derivatives" on the asset side of the balance sheet, while derivatives with a negative fair value at the reporting date are recognized under "Hedging derivatives" on the liability side of the balance sheet.

Measurement and recognition of income components

Hedging derivatives are measured at fair value. More specifically:

- in the case of fair value hedges, the change in the fair value due to the risk on the hedged item has a corresponding impact on the income statement, where the change in the fair value of the hedging instrument is recognized. Any difference between the two changes, which represents the partial ineffectiveness of the hedge, represents the net impact in profit or loss;
- in the case of cash flow hedges, changes in the fair value of the derivative are recognized in a specific equity reserve in the amount of the effective portion of the hedge and in profit or loss in the amount of the ineffective or overhedging portion. The reserve is reclassified to profit or loss only when the cash flows on the hedged item whose variability is being hedged manifest themselves or in the event the hedging relationship is discontinued in the manner specified for the circumstance that prompted the interruption of the hedge.

The derivative is designated as a hedging instrument where there is formal documentation of the relationship between the hedged item and the hedging instrument and if it the hedge is effective at the moment of inception and throughout its life.

The effectiveness of a hedge depends on the extent to which changes in the fair value of the hedged item or the associated cash flows are offset by those of the hedging instrument. Accordingly, effectiveness is quantified on the basis of the comparison of those changes, taking account of the intentions of the entity at the time the hedge is established.

A hedge is deemed effective when the changes in fair value (or in cash flows) of the hedging instrument nearly entirely offset (i.e. within a range of 80-125%) changes in the hedged instrument for the risk factor being hedged.

Effectiveness is measured at every reporting date through:

- prospective tests, which justify the use of hedging accounting, as they demonstrate the hedge's expected effectiveness;
- retrospective tests, which indicate the level of effectiveness of the hedge achieved in the period under review, measuring the difference between actual results and theoretical results (perfect hedges).

If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued in accordance with the above criteria, the hedging derivative is reclassified as a trading instrument or extinguished early and the hedged financial instrument is measured using the criteria normally adopted for instruments of its category. Subsequent changes in the fair value of the derivative are recognized through profit or loss. For cash flow hedges, when it becomes certain that the hedged transaction will no longer be carried out, the cumulative gain or loss recognized in the equity reserve is reversed through profit or loss.

5 – Equity investments

Classification

The item includes equity investments in subsidiaries, associates and joint ventures. Immaterial entities[23] are not consolidated. Their exclusion from the scope of consolidation does not have a significant impact on Group equity.

Subsidiaries are those entities over which the investor has the power to direct the relevant activities as a result of a legal right or a mere situation of fact and is exposed to the variable returns resulting from that power.

Pursuant to IFRS 10 the control requirement is met when an investor simultaneously has:

- the power to direct the relevant activities of the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of its returns (link between power and returns).

Joint control is the contractually agreed sharing of control of an arrangement.

23 The scope of consolidation does not include subsidiaries with total assets of less than €10 million, subject to the condition that the total assets of all unconsolidated subsidiaries do not exceed €50 million.

Associated companies comprise companies in which the Group holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which the Group exercises a significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Equity interests in subsidiaries, joint ventures and associates held for sale are reported separately in the financial statements as a disposal group and are measured at the lower of the carrying amount and the fair value excluding disposal costs.

Recognition

Equity investments are initially recognized at cost at the settlement date including costs and revenue that are directly attributable to the transaction.

Measurement

Investments in subsidiaries are measured at cost, while investments in associates or joint ventures are measured using the equity method (for more details, see Section 3 – Scope and methods of consolidation in Part A Accounting policies: A.1 – General information). Where there is evidence that the value of an equity investment may be impaired, its recoverable amount is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognized through profit or loss as an impairment loss.

Impairment testing of equity investments

As required by the accounting standards referred to earlier and by IAS 36, if there is evidence (triggers) of possible impairment, equity investments undergo impairment testing to determine whether there is objective evidence that the carrying amount of such assets is not fully recoverable and to determine the amount of any writedown.

Impairment indicators are essentially divided into two categories:

- qualitative indicators, such as the posting of losses or in any case a significant divergence with respect to budget targets or the objectives set out in the long-term plans announced to investors, the announcement/start of composition with creditors or restructuring plans, and the downgrading of the rating issued by a specialist agency;
- quantitative indicators consisting of a reduction in fair value below the carrying amount of over 30%, or for a period of more than 24 months, or a carrying amount for the equity investment in the separate financial statements greater than the carrying amount in the consolidated financial statements of the company’s net assets and goodwill, or the distribution by the latter of a dividend greater than its comprehensive income.

In the presence of evidence of impairment, the size of any writedown is determined on the basis of the difference between the carrying amount and the recoverable amount, which is equal to the greater of fair value less costs to sell and the value in use.

Derecognition

Control, joint control and significant influence cease in cases in which the power to determine financial and operating policies of the company is removed from the governance bodies of the company and transferred to a governmental body, a court and in similar cases. The equity investment in these cases is subject to the treatment of IFRS 9, as provided for financial instruments.

Equity investments are derecognized when the contractual rights to the cash flows from the assets expire or when substantially all the risks and rewards connected with ownership of the equity investment are transferred.

Recognition of income components

Dividends received from equity investments are recognized in the income statement under “Dividends and similar income” when the right to receive payment is established.

Impairment losses on equity investments are recognized in the income statement under the item “Profit (loss) from equity investments”. If the reasons for the impairment loss should be removed following an event occurring after the recognition of the impairment loss, the consequent writebacks are recognized in the income statement (in an amount not exceeding the previous writedowns) under the same item.

The recognition of the income effects in respect of equity investments accounted for using the equity method is discussed in Section 3 – Scope and methods of consolidation in Part A Accounting policies: A.1 – General information.

6 - Property, plant and equipment

Classification

Property, plant and equipment includes land and buildings used in operations and those held for investment purposes, plant, vehicles, furniture, furnishings and equipment of any kind.

According to IAS 16, buildings used in operations are those held for use in the supply of services or for administrative purposes. Pursuant to IAS 40, investment property includes property held to earn rentals or for capital appreciation or both.

The item also includes assets in accordance with IAS 2 - Inventories, which mainly include assets deriving from the enforcement of guarantees or purchase at auction that the Group intends to sell in the near future without carrying out significant restructuring works and which do not meet the conditions for classification in the previous categories ("for use in operations" or "for investment"). This therefore includes assets acquired following the closure of an impaired credit exposure (for example from acceptance of the asset in lieu of the original performance ("datio in solutum"), from the consolidation of companies acquired as a result of loan restructuring/recovery agreements, the non-exercise of the purchase option in a finance lease or the termination of an impaired lease, etc.).

Where the requirements for the application of IFRS 5 to these assets are not met, the Group normally initially classifies the assets as inventories, subsequent measuring them in accordance with the criteria set out in IAS 2, except in rare cases in which the conditions are met for classification as:

- asset held for use in operations (see IAS 16);
- assets held for investment purposes (see IAS 40), insofar as they are held for the purpose of generating income through the receipt of lease payments or for capital appreciation.

Finally, property, plant and equipment also includes the rights of use for assets held under leases (whether finance or operating leases) pursuant to IFRS 16, even though the lessor retains legal ownership of the assets.

Recognition

Property, plant and equipment is recognized at cost, which in includes all incidental expenses directly attributable to purchasing and placing the asset in service.

Expenses subsequently incurred (e.g. extraordinary maintenance costs) increase the carrying amount of the asset or are recognized as separate assets if it is likely that the future economic benefits will exceed initial estimates and the costs can be reliability calculated.

All other subsequent expenses (e.g. ordinary maintenance costs) are recognized in the income statement in the year incurred.

Property, plant and equipment originally held as collateral for credit and acquired in recovery activities carried out on the basis of specific contracts or legal proceedings is recognized when both of the following conditions are met:

- recovery activities have been completed;
- the Group has acquired ownership of the property.

Normally these exchange transactions lack commercial substance as defined in paragraph 24 of IAS 16 and, consequently, the asset is initially recognized at the carrying amount of the asset given up.

In the rare cases where, in an exception to the general principle mentioned above, the enforcement operation has commercial substance, the asset acquired is initially recognized at fair value.

In the case of recognition of rights of use in respect of leased assets pursuant to IFRS 16, the cost of the right-of-use asset is determined as follows:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Measurement

Property, plant and equipment used in operations is measured at cost less depreciation and impairment. Depreciation is determined systematically over the remaining useful life of the asset.

For assets purchased and placed in service during the year, the period of depreciation is calculated on the basis of the actual number of days the assets contributes to the production cycle. For assets transferred and/or disposed of during the year, depreciation is calculated on a daily basis up to the date of transfer or disposal.

The depreciable value is represented by the cost of the assets since the residual value at the end of the depreciation process is considered negligible. Buildings are depreciated at a rate of 3% per year, deemed to appropriately represent the deterioration of the assets over time from their use, taking into account extraordinary maintenance costs, which increase the value of the asset. Land, whether purchased individually or incorporated into the value of a building, is not depreciated.

In accordance with the provisions of paragraph 32a) of IAS 40, investment property as defined in IAS 40 is valued using the cost model and is depreciated, with the exception of properties deriving from the consolidation of real estate investment funds, which are measured at fair value since they are connected with liabilities that produce a return directly linked to the fair value of the investment property.

Assets classified as inventory are measured at the lower of recognition cost and net realizable value and are not depreciated. The net realizable value is equal to the estimated price for sale in the normal course of business, net of the estimated completion costs and those necessary for the sale of the asset.

Following initial recognition, assets acquired through recovery or enforcement of guarantees in debt collection activities carried out by the Group for impaired loans are measured in accordance with the criteria established for the classification adopted (for use in operations, for investment purposes, inventories).

Right-of-use assets determined in compliance with IFRS 16 are subsequently measured using a cost model, less depreciation and impairment losses, in accordance with IAS 16.

Derecognition

Property, plant and equipment is derecognized when disposed of or when permanently withdrawn from use and no future benefits are expected from its disposal.

Recognition of income components

Depreciation of property, plant and equipment measured at cost, with the exception of inventories, is recognized through profit or loss under “Net adjustments of property, plant and equipment”.

In the first year, depreciation is recognized in proportion to the period the asset is effectively available for use. For assets sold or otherwise disposed of during the year, depreciation is calculated on a daily basis up to the date of transfer and/or disposal.

If there is evidence of possible impairment of the asset, the asset’s carrying amount is compared against its recoverable amount, which is equal to the greater of the value in use of the asset, meaning the present value of future cash flows originated by the asset and its fair value, net of any disposal costs. Any negative difference between the carrying amount and the recoverable amount is recognized in the income statement. If the reasons for the impairment should cease to obtain, a writeback is recognized in the income statement. The carrying amount following the writeback shall not exceed the value that the asset would have had, net of depreciation, in the absence of the prior writedowns.

Gains (losses) deriving from changes in the fair value of investments deriving from the consolidation of real estate investment funds are recognized in the income statement under “Net gain (loss) from valuation at fair value of property, plant and equipment and intangible assets”.

Gains and losses deriving from the disposal or decommissioning of property, plant and equipment are determined as the difference between the net sale price and the carrying amount of the asset. They are recognized in profit and loss at the same date on which the assets are derecognized, under the item “Profit (loss) from the disposal of investments”.

7 - Intangible assets

Classification

Intangible assets are recognized as such if they are identifiable and are based on legal or contractual rights. They include application software.

Right-of-use assets have not been recognized in respect of leases involving intangible assets as such recognition is optional under IFRS 16.

Recognition

Intangible assets are recognized at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will be realized and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognized in profit or loss in the period in which it is incurred.

Recognition of intangible assets generated internally, and software in particular, is subject to verification of the above conditions and distinguishing between the research activities and development activities carried out to produce the asset. Costs associated with research cannot be capitalized, as the generation of probable future economic benefits cannot be demonstrated.

Intangible assets can be recognized in respect of goodwill arising from business combinations (purchases of business units). This goodwill is recognized in an amount equal to the positive difference between the purchase price of the business combination (the consideration transferred) and the fair value of the assets and liabilities acquired if that positive difference represents future economic benefits. Goodwill in respect of business combinations carried out prior to the date of transition to the IFRS are measured on a cost basis and represent the same value as that given using Italian GAAP.

Measurement

After initial recognition, intangible assets with a finite useful life are recognized at cost, net of total amortization and accumulated impairment losses. Amortization begins when the asset becomes available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended and ceases when the asset is derecognized. Intangible assets are amortized on a straight-line basis, so as to reflect the long-term use of the asset over its estimated useful life, which for application software does not exceed 5 years.

Goodwill is not amortized and is tested for impairment at the reporting date.

Derecognition

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to be generated by the use or disposal of the asset.

Recognition of income components

Amortization is recognized through profit or loss under “Net adjustments of intangible assets”, as are impairment losses. If the reasons for the impairment of intangible assets other than goodwill should cease to obtain, a writeback is recognized in profit or loss. The value of the asset after the writeback shall not exceed the value that the asset would have had, net of amortization, in the absence of the prior writedowns for impairment.

Writedowns of goodwill are recognized in the income statement under “Writedowns of goodwill”. Goodwill previously written down may not be written back.

Gains and losses from the disposal or other transfer of an intangible asset are determined as the difference between the net sale price and the carrying amount of the asset and recognized in the income statement under the item “Profit (Loss) from disposal of investments.

8 - Non-current assets and liabilities and disposal groups held for sale

Classification

Non-current assets and disposal groups, including associated liabilities, are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when their sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which must be expected to be completed within one year of classification as held for sale.

Properties obtained through the enforcement of guarantees are classified under this item when the following conditions are met:

- the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable. In particular, the appropriate level of management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Finally, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by IFRS 5, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Recognition

Non-current assets and disposal groups held for sale are valued at the lower of their carrying amount and their fair value less costs to sell, with the exception of assets for which IFRS 5 requires measurement in accordance with the applicable IFRSs (e.g. financial assets within the scope of IFRS 9).

Measurement and recognition of income components

Following initial recognition in this category, the assets are measured at the lower of their carrying amount and their fair value less costs to sell, with the exception of assets that IFRS 5 requires be measured using the provisions of the relevant accounting standard (for example, financial assets within the scope of IFRS 9). If the assets held for sale can be depreciated, any such depreciation ceases upon classification to non-current assets held for sale. Non-current assets and disposal groups held for sale, as well as "discontinued operations", and the associated liabilities are reported under specific items of assets ("Non-current assets and disposal groups held for sale") and liabilities ("Liabilities associated with disposal groups held for sale").

The results of the measurement, income, expenses and gains/losses upon disposal (net of any tax effect), of "discontinued operations" are recognized in the income statement under "Profit (loss) after tax of discontinued operations". Gains and losses associated with individual assets held for sale are recognized under the most appropriate item of the income statement.

Derecognition

Non-current assets and disposal groups held for sale are derecognized upon disposal.

9 - Current and deferred taxation

Classification

Income taxes, which are calculated on the basis of national tax law, are accounted for as a cost on an accruals basis, in line with the recognition of the costs and revenue that gave rise to the tax liability. They therefore represent the balance of current taxes and deferred taxes in respect of income for the year. Current tax assets and liabilities report the net tax positions of the Group companies in respect of Italian and foreign tax authorities. More specifically, they report the net balance between current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax liability for the period, as determined on the basis of applicable tax law, and current tax assets represented by payments on account and other tax receivables for withholding tax incurred or other tax credits for previous years which the Group companies opted to offset against taxes for subsequent years. Current tax assets also report tax receivables for which the Group companies have requested reimbursement from the competent tax authorities.

While taking account of the adoption of the national consolidated taxation mechanism by the companies forming part of the "direct scope" of the Group (the former Iccrea Banking Group), the tax positions of each Group company are managed separately for administrative purposes.

Deferred taxation is determined using the balance sheet liability method, taking account of the tax effect of temporary differences between the carrying amount of assets and liabilities and their value for tax purposes, which will give rise to taxable or deductible amounts in future periods. To that end, "taxable temporary differences" are those that in future periods will give rise to taxable amounts and "deductible temporary differences" are those that in future periods will give rise to deductible amounts. Deferred taxes are recognized on all taxable temporary differences, with the following exceptions: i) deferred tax liabilities arising from the initial recognition of goodwill or ii) an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect either the balance sheet or the tax situation.

Deferred tax assets are recognized against all deductible temporary differences, tax receivables and unused tax losses that can be carried forward, insofar as it is probable that sufficient future taxable income will be available to allow the use of the deductible temporary differences and the tax receivables and losses carried forward, except for cases in which the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect either the balance sheet or the tax situation.

Deferred tax is calculated by applying the tax rates established in applicable tax law, laws already issued or substantially in force at the reporting date that are expected to be applied during the year in which those assets are realized or those assets are extinguished to taxable temporary differences for which it is likely that a tax charge will be incurred and to deductible temporary differences for which it is reasonable certain there were be future taxable income at the time they become deductible (the probability test).

Current tax assets and liabilities and deferred tax assets and liabilities are offset in the financial statements if, and only if, they relate to income taxes applied by the same taxation authority and there is a legally enforceable right to set off tax assets.

Recognition and measurement

Where the deferred tax assets and liabilities regard items that impact profit or loss, that effect is recognized under income taxes.

In cases where the deferred tax assets and liabilities regard transactions that directly impact equity with no effect on profit or loss (such as adjustments on first-time adoption of the IAS/IFRS, measurement of financial instruments measured at fair value through other comprehensive income or cash flow hedge derivatives), they are recognized in equity, under specific reserves where required (i.e. the valuation reserves).

The potential taxation in respect of items on which taxation has been suspended that will be "taxed in the event of any use" is recognized as a reduction in equity. Deferred taxes in respect of revaluations prompted by conversion of amounts to the euro that were directly allocated to a specific reserve under Article 21 of Legislative Decree 213/98 on a tax-suspended basis are recognized as a reduction of that reserve. The potential taxation in respect of items that will be taxed "only in the event of distribution" is not recognized as the amount of available reserves that have already been taxes is sufficient to conclude that no transactions will be carried out that would involve their taxation.

Deferred taxation in respect of companies participating in the consolidated taxation mechanism is recognized in their financial statements on an accruals basis in view of the fact that the consolidated taxation mechanism is limited to settlement of current tax positions.

The potential taxation of components of the equity of the consolidated companies is not recognized where the circumstances that would give rise to their taxation are not considered likely to arise, taking due consideration of the lasting nature of the investment.

The value of deferred tax assets and liabilities is reviewed periodically to take account of any changes in legislation or in tax rates.

Recognition of income components

Income taxes are recognized through profit or loss, with the exception of those debited or credited directly to equity. Current income taxes are calculated based on taxable income for the period.

In determining income taxes, any uncertainties over tax treatments are taken into account, in accordance with the provisions of IFRIC 23.

Current tax payables and receivables are recognized at the value that payment to or recovery from the tax authorities is expected by applying current tax rates and regulations. Deferred income tax assets and liabilities are calculated, using expected tax rates, on the basis of temporary differences between the value attributed to the assets and liabilities in the financial statements and the corresponding values recognized for tax purposes.

Derecognition

Deferred tax assets and deferred tax liabilities are derecognized in the period in which:

- the temporary difference that originated them becomes taxable for deferred tax liabilities or deductible for deferred tax assets;
- the temporary difference that originated them is no longer relevant for tax purposes;
- for deferred tax assets only, the probability test envisaged by IAS 12 indicates that sufficient future taxable income will not be available.

10 - Provisions for risks and charges

Provisions for commitments and guarantees issued

This sub-item reports provisions estimated in respect of the credit risk on commitments to disburse funds and guarantees issued, which fall within the scope of application of the rules for calculating expected losses in accordance with IFRS 9. In principle, these cases use the same methods for allocation to the three risk stages and the calculation of expected losses that are adopted for financial assets measured at amortized cost or at fair value through other comprehensive income.

This sub-item also includes are provisions for other types of commitments and guarantees issued that, on the basis of their characteristics, do not fall within the scope of application of impairment in accordance with IFRS 9.

Other provisions for risks and charges

The other provisions for risks and charges include provisions for legal obligations or related to employment relationships or disputes originating from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The item also includes long-term employee benefits.

Recognition

A provision shall be recognized if and only if:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Measurement and recognition of income components

The amount recognized is the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the end of the reporting period and reflects the risks and uncertainties that inevitably surround many events and circumstances.

Where the time value of money is material and the payment dates of the obligation can be estimated reliably, the provision shall be discounted at market rates as of the reporting date.

Provisions are reviewed at every reporting date and are adjusted to reflect the best estimate of the charge required to settle the obligations existing at the close of the period. The impact of the time value of money and that of changes in interest rates are reported in profit or loss under net provisions for the period.

Actuarial gains and losses are recognized immediately in profit or loss.

Derecognition

Provisions are only used when the charges for which they were originally established are incurred. When the use of resources to fulfil the obligation is no longer deemed to be probable, the provision is reversed through profit or loss.

11 - Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost

Classification

Financial liabilities measured at amortized cost include amounts due to banks, amounts due to customers and securities issued, comprising all technical forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments in circulation, net of any amounts repurchased.

The item also includes liabilities recognized by the lessee in respect of leases (finance or operating) pursuant to IFRS 16.

Recognition

The liabilities are initially recognized at fair value, which is normally equal to the amounts received or the issue price, plus or minus any additional costs or revenue directly attributable to the transaction that are not reimbursed by the creditor. Internal administrative costs are excluded.

Financial liabilities issued on non-market terms are recognized at estimated fair value and the difference with respect to the amount paid or the issue price is taken to the income statement.

Measurement and recognition of income components

Following initial recognition, these liabilities are measured at amortized cost using the effective interest rate method, excluding short-term liabilities, which are recognized in the amount received in keeping with the general principles of materiality and significance. See to the section on assets measured at amortized cost for information on the criteria for determining amortized cost.

Interest expense recognized on financial liabilities is reported under “Interest and similar expense” in the income statement.

In addition to cases of extinguishment and expiration, financial liabilities reported in these items are also derecognized when previously issued securities are repurchased. In this case, the difference between the carrying amount of the liability and the amount paid to repurchase it is recognized in the income statement under “Gain (loss) on the disposal or repurchase of: c) financial liabilities”. If the repurchased security is subsequently placed again on the market, this is treated as a new issue and is recognized at the new placement price, with no impact on the income statement.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

12 – Financial liabilities held for trading

Classification

The item reports the negative value of trading derivatives that are not part of hedging relationships as well as the negative value of embedded derivatives to be separated from hybrid instruments representing financial liabilities. Liabilities deriving from short positions in by securities trading activities are recognized under "Financial liabilities held for trading".

Recognition

Debt and equity securities representing financial liabilities are initially recognized at the settlement date, while derivative contracts are recognized at the date they are signed. The financial liabilities are initially recognized at fair value, which generally equals the amount received.

In cases in which the amount paid differs from the fair value, the financial liability is recognized at fair value, and the difference between the amount paid and the fair value is recognized through profit or loss.

Derivative contracts embedded in financial liabilities or other contractual forms and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, are recognized separately among financial liabilities held for trading if their value is negative, with the exception of cases in which the compound instrument containing the derivative is entirely measured at fair value through profit or loss.

Measurement

Subsequent to initial recognition, the financial liabilities are recognized at fair value through profit or loss. Please see Part 4 "Fair value disclosures" of these notes to the financial statements for information on determining fair value.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

Recognition of income components

Gains and losses from the measurement of and transactions in financial liabilities held for trading are recognized through profit or loss.

13 - Financial liabilities designated as at fair value

Classification

This item reports financial liabilities designated as at fair value through profit or loss under the option permitted to entities in IFRS 9 (the "fair value option"). More specifically, financial liabilities may be irrevocably designated as at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch due to a measurement inconsistency or where they contain one or more embedded derivatives.

Recognition

Financial liabilities at fair value through profit or loss are initially recognized at the issue date at their fair value, which normally corresponds to the price paid. If the price is different from the fair value, the financial liability is recognized at its fair value and the difference between the price and the fair value is recognized in the income statement.

Measurement and recognition of income components

After initial recognition, financial liabilities reported under this item are measured at fair value in accordance with the following rules:

- if the change in fair value is attributable to a change in the credit risk of the liability, it shall be recognized in other comprehensive income (equity) and is not subsequently recycled through profit or loss;
- all other changes in fair value shall be recognized through profit or loss under "Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss: a) financial assets and liabilities designated as at fair value".

Pursuant to IFRS 9, this accounting method shall not be applied if would create or enlarge an accounting mismatch in the income statement. In this case, the gains or losses related to the liability falling under this item shall be recognized through profit or loss.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

14 - Foreign currency transactions

Classification

In addition to those explicitly denominated in a currency other than the euro, foreign currency assets and liabilities also include those that have indexing clauses linked to the exchange rate of the euro with a specific currency or with a certain basket of currencies.

Recognition

Transactions in a foreign currency are initially recognized in the functional currency by translating the amount in the foreign currency into the functional currency at the exchange rate prevailing on the date of the transaction.

For the purposes of translation, foreign currency assets and liabilities are divided into monetary items (classified under current items) and non-monetary items (classified under non-current items). Monetary items comprise cash and assets and liabilities to be received or paid in fixed or determinable amounts of money. Non-monetary items are characterized by the absence of a right to receive, or an obligation to deliver, a fixed or determinable amount of money.

Measurement

At the reporting date, foreign currency items are measured as follows:

- monetary items are translated at the exchange rate prevailing at the reporting date;
- non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the reporting date.

Recognition of income components

Exchange rate differences relating to financial assets/liabilities other than those designated as at fair value and those mandatorily measured at fair value through profit or loss are recognized in the income statement under the item "Net gain (loss) on trading activities". Exchange rate differences relating to the two categories referred to above are recognized in under the item "Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss". In addition, if the financial asset is measured at fair value through other comprehensive income, exchange rate differences are allocated to the relevant valuation reserve.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate, or translation of the previous financial statements, are recognized through profit or loss in the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity. Likewise, when a gain or less is recognized through profit or loss, the corresponding exchange rate difference is also recognized through profit or loss.

15 – Insurance assets and liabilities

There are no insurance undertakings in the scope of consolidation.

16 – Other information

Employee termination benefits

Following the reform of supplementary pension schemes introduced by Legislative Decree 252 of December 5, 2005, changes were made to the way in which employee termination benefits are recognized. The portion of termination benefits accrued through December 31, 2006 is treated as a defined-benefit plan, since the company is required under law to pay the employee an amount determined pursuant to Article 2120 of the Italian Civil Code.

The portion of termination benefits accrued from January 1, 2007 allocated to a supplementary pension scheme or to the treasury fund managed by INPS (Italy's National Social Security Institute) are treated as a defined-contribution plan since the company's obligation towards the employee ceases upon transfer of the amounts to the fund.

Therefore, starting January 1, 2007, the Group:

- continues to recognize the obligation accrued at December 31, 2006 in accordance with the rules for defined-benefit plans, i.e. using the projected unit credit method. This means that it measures the obligation for benefits accrued by employees using actuarial techniques, projecting into the future the amount to pay at the time the employment relationship is termination and discounting the accrued portion. To this end, the projected unit credit method considers each individual service period as the originator of an additional unit of termination benefits to be used in constructing the final obligation by projecting future outflows on the basis of statistical analysis of historical developments and the demographic curve, discounting those flows using a market interest rate. Total actuarial gains and losses are recognized, in line with the provisions of IAS 19, in equity, while the interest cost component of the change in the defined benefit obligation is recognized in profit or loss;
- recognizes the obligation for portions accrued starting January 1, 2007, payable to a supplementary pension scheme or to the treasury fund managed by INPS, on the basis of the contributions owed in each period, as a defined contribution plan for employee service, in profit or loss. More specifically, in the case of termination benefits payable to a supplementary pension scheme that treatment begins at the time of the choice or, if the employee does not exercise any option, as from July 1, 2007.

Recognition of revenue

Revenue is recognized when realized or, in the case of the sale of goods or services, in relation to the extent to which the performance obligation has been satisfied, as specified below.

Specifically:

- interest is recognized on an accruals basis using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- default interest, if any, is recognized through profit or loss only upon receipt;
- dividends are recognized in the income statement when their distribution is authorized;

- commissions for revenue from services are recognized in relation to the effective provision of the services to a customer, as discussed in greater detail below;
- revenue from the placement of funding instruments, calculated on the basis of the difference between transaction price and the fair value of the financial instrument, are recognized in the income statement when the transaction is recognized if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded. If these amounts cannot be easily determined or the instrument is not highly liquid, the financial instrument is recognized in an amount equal to the transaction price, excluding the commercial margin. The difference between this amount and the fair value is taken to profit or loss over the duration of the transaction through the gradual reduction in the valuation model of the corrective factor reflecting the reduced liquidity of the instrument;
- revenue from the sale of non-financial assets are recognized at the time the performance obligation is satisfied with the transfer of the asset, i.e. when the customer obtains control of the asset.

In application of IFRS 15, the following steps are followed in recognizing revenue from contracts with customers:

- identification and analysis of the contract signed with the customer to identify the type of revenue. In some specific cases, multiple contracts may have to be combined and accounted for as a single contract;
- identification of the specific performance obligations in the contract. If the goods/services to be transferred are distinct, they qualify as performance obligations and are accounted for separately;
- determination of the transaction price, considering all the performance obligations in the contract. This price may be a fixed amount, but may sometimes include variable or non-monetary consideration;
- allocation of the transaction price to the performance obligations. The transaction price is allocated to the various performance obligations on the basis of the selling prices of each distinct good or service provided contractually. If it is impossible to determine the standalone selling price, it is necessary to estimate it. The assessment must be carried out as from the start date of the contract (the inception date);
- recognition of revenue when the performance obligation is satisfied. Revenue is recognized following the satisfaction of the performance obligation to the customer, i.e. when the latter obtains control of the good or service. Some revenue is recognized at a point in time, while other is accrued over time. It is therefore necessary to identify the moment in which the performance obligation is satisfied. In the case of performance obligations satisfied over time, revenue is recognized over the reference period, selecting an appropriate method to measure the progress made towards complete satisfaction of the performance obligation".

Accruals and deferrals

Accruals and deferrals reporting costs and revenue accruing in the period on assets and liabilities are recognized as adjustments to the assets and liabilities to which they refer. In the absence of such assets or liabilities, they are recognized under "Other assets" or "Other liabilities".

Expenditure for leasehold improvements

Expenses for refurbishments of buildings belonging to third parties that do not have an independent function or use are conventionally classified under "Other assets". Amortization is performed over the useful life of the right of use in respect of the buildings and amortization charges are reported under other operating expenses.

Determination of amortized cost

Amortized cost is applied to financial assets and liabilities measured at amortized cost and to the income components of financial assets measured at fair value through other comprehensive income.

The amortized cost of a financial asset or financial liability is the value at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that discounts the contractual flow of future or received payments until the maturity date or the next repricing date to the present value of a financial asset or financial liability.

For instruments bearing a fixed rate or a fixed rate for periods of time, future cash flows are determined on the basis of the specified interest rate over the life of the instrument. For variable-rate financial assets or liabilities, future cash flows are determined on the basis of the last known rate. At each repricing date, the residual amortization and the effective yield over the residual useful life (i.e. until maturity) of the financial instrument are recalculated.

For purchased or originated credit-impaired financial assets ("POCI"), the effective interest rate corrected for credit risk is calculated, discounting estimated future cash flows over the expected life of the financial asset, taking of account all the contractual terms of the asset (e.g. prepayment options, call options, etc.) as well as expected credit losses.

Financial assets and liabilities transacted on market terms are initially recognized at their fair value, which normally corresponds to the amount paid or received including directly attributable transaction costs and fees: internal marginal costs and income not recoverable from customers are considered transaction costs attributable at the time of initial recognition of the instrument.

These ancillary components, which must be attributable to the individual asset or liability, affect the effective return and cause the effective interest rate to differ from the contractual interest rate: therefore, costs and income referable indiscriminately to multiple transactions and related components that they may be recognized during the life of the financial instrument are not included. Furthermore, costs that the Group incurs independently of the transaction, such as administrative, office supplies and communication costs, are not considered in the calculation of the amortized cost.

With particular regard to inflation-linked BTPs - the overall performance of which does not depend solely on its real components but also on the developments in inflation, to which these bonds are indexed[24] - the measurement method adopted provides for the sterilization of the inflation effect in the calculation of the IRR and its inclusion in amortized cost, so as to generate a perfect adjustment of the value of holdings to changes in inflation. Accordingly, the value of the holding increases (or decreases) in proportion to the inflation coefficient, so that at the maturity of the security its value is equal to the redemption value.

More specifically, the methodology applied makes it possible to adjust the average carrying price of the security to the presumable redemption value by varying the associated value of the holdings in a manner consistent with the indexing parameter. In this way, the effect of inflation is accounted for in the year in which it occurs, in line with the accrual principle, and is summed with the real yield on the securities.

Net interest income reflects the contribution linked to both the real yield of the security (coupons and accrued interest) and the inflation component, the latter through the recognition of the portion at amortized cost deriving from the periodic revaluation of the value of the holdings of the securities.

Determination of impairment

Financial assets

At each reporting date, the Group determines whether there is objective evidence that a financial asset or group of financial assets has incurred a significant increase in the related credit risk since initial recognition and requires the definition of a methodology for calculating the expected loss (ECL) and the related risk parameters necessary to calculate it, namely: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

The staging methodology provides for the allocation each exposure/tranche (loans and securities) to the three distinct stages on the basis of the following:

- stage 1: this includes newly issued instruments/tranches and exposures to counterparties classified as performing that, as at the reporting date, have a PD lower than or equal to a given threshold (qualifying for the low credit risk exemption) or have not experienced a significant increase in credit risk with respect to that measured the date of disbursement/purchase. The 12-month expected loss is measured for these positions;
- stage 2: this includes all performing instruments/tranches that, as at the reporting date, simultaneously:
  - have a higher PD than that specified for the low credit risk exemption;
  - have experienced a significant increase in credit risk with respect to the date of disbursement;

In general, in the absence of a rating/PD at the reporting date the exposure is allocated in stage 2 (without prejudice to the use of additional criteria specifically adopted for the management of particular types of portfolios/positions not covered by the use of an internal rating model). In this case, the lifetime expected loss is measured;

- stage 3: this includes all instruments/tranches associated with loans/securities in default, for which the loss is calculated as the difference between the contractual cash flows and expected cash flows, discounted at the effective interest rate of the instrument (lifetime expected loss), which is essentially unchanged compared with the previous accounting standard.

A so-called grace period is also granted, under which newly disbursed exposures are conventionally classified in stage 1 for the first 3 months of the relationship, unless they derive from forbearance measures.

[24] The overall performance of inflation-linked BTPs depends on two components: an a priori element, i.e. the real yield, and another linked to inflation, which determines the revaluation of coupons and principal. The value of the security is therefore made to evolve as a function of both effects.

Furthermore, in order to reduce the volatility of allocations of exposures to the various stages, the mechanisms for transferring exposures between stages envisage a so-called 3-month probation period (the minimum period for which positions are allocated to a given stage), defined as follows:

- an exposure allocated to stage 2 can be transferred to stage 1 if at the reporting date the conditions for allocation to stage 1 are met and at least 3 continuous months have elapsed since the factors that prompted allocation to stage 2 no longer exist;
- the reclassification as performing of an exposure previously allocated to stage 3 involves direct allocation to stage 2 for at least 3 months following the return to performing status, unless events requiring reallocation to stage 3 should occur.

If at least one of the criteria for classification in stage 2 is activated for a position within the probation period, the probation period recommences from the month in which the criteria that determined the allocation to stage 2 are no longer active.

Performing forborne exposures for which the regulatory probation period of 24 months is already activated are excluded from the application of this criterion.

With regard to the securities portfolio, the functional methodology for staging performing exposures is based solely on quantitative information. Although they consist in comparing the PD/rating class at the origination date and PD/rating class at the reporting date, the approach used makes extensive use of the low credit risk exemption for the purpose of staging exposures, even in the presence of information on credit risk measures at the date of origination. In particular, exposures with a PD less than or equal to a specified threshold at the reporting date are allocated to stage 1. Exposures associated with securities in default are classified in stage 3.

With regard to expected credit loss, the risk parameters necessary for calculating that value have been distinguished by differentiating between the securities portfolio and the loan portfolio.

With regard to the securities portfolio:

- Probability of Default (PD): the PD at 12 months and multi-period PDs used underwent forward-looking conditioning;
- Loss Given Default (LGD): the unconditioned LGD measures used are the same for both stage 1 and stage 2 exposures. More specifically, and unconditioned LGD metric of 45% is used, which subsequently undergoes forward-looking conditioning;
- Exposure At Default (EAD): for the purposes of quantifying the EAD associated with each securities issue, the gross value of the exposure at the reporting dates is generally used.

With regard to the loan portfolio:

- Probability of Default (PD): the approach defined by the Group envisages:
  - the use of internal rating models to determine the transition matrix based on rating classes, conditioned to incorporate forward-looking macroeconomic scenarios and used to obtain lifetime PDs;
  - where an internal rating model is absent, calculating default rates on an annual basis, conditioned to include forward-looking macroeconomic scenarios and used to obtain cumulative lifetime PDs;
- Loss Given Default (LGD): the approach for estimating LGD developed by the Group provides for the determination of historical loss rates on closed impaired positions and the application of the so-called danger rate, conditioned by macroeconomic scenarios;
- Exposure At Default (EAD): the estimation approach for EAD differs by type of portfolio, product and stage to which the exposure has been assigned.

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

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

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

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

Note that in order to factor in the effects of the pandemic in the calculation of impairment, a so-called COVID-19 effect is considered in the

determination of impairment, with the aim of considering the effects of the pandemic both on the macroeconomic forecasts that contribute to the determination of the expected credit loss and in the stage allocation process for exposures, with specific treatments of the portfolio subject to economic support measures.

Equity securities and units of collective investment undertakings

Equity securities and units of collective investment undertakings, regardless of the accounting portfolio to which they are allocated, do not undergo impairment testing as they are measured at fair value.

Other non-financial assets

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing if there is evidence that the carrying amount of the asset cannot be recovered. The recoverable amount is determined as the greater of the fair value of the item of property, plant and equipment or the intangible asset net of costs of disposal and the value in use.

As regards real estate, fair value is mainly determined on the basis of an appraisal prepared by an independent expert.

Intangible assets recognized following acquisitions and in application of IFRS 3 at each reporting date undergo impairment testing to determine whether there is objective evidence that the asset may have incurred an impairment loss.

If there is evidence of impairment, intangible assets with a finite life undergo a new valuation to determine the recoverability of the carrying amount. Recoverable amount is determined on the basis of value in use, i.e. present value, as estimated using a rate representing the time value of money, the specific risks of the asset and the margin generated by relationships in place at the valuation date over a time horizon equal to the residual term of those relationships.

Since intangible assets with an indefinite life, represented by goodwill, do not generate autonomous cash flows, they undergo annual testing of their carrying amount for the cash generating unit (CGU) to which the values were allocated in the related business combinations. The amount of any impairment is determined on the basis of the difference between the carrying amount of the CGU and the recoverable amount of the unit, represented by the greater of its fair value, net of costs of disposal, and its value in use.

The carrying amount of the CGU must be determined in a manner consistent with the criteria used to determine its recoverable amount. From the standpoint of a banking enterprise, it is not possible to determine the cash flows of a CGU without considering the flows generated by financial assets and liabilities, given that the latter represent the core business of the company. In other words, the recoverable amount of the CGUs is impacted by those cash flows and, accordingly, the carrying amount of the CGUs must be determined using the same scope of estimation used for the recoverable amount and, therefore, must include the financial assets/liabilities. To that end, these assets and liabilities must be allocated to the CGUs.

Following this approach, the carrying amount of the CGUs can be determined in terms of their contribution to consolidated shareholders' equity, including non-controlling interests.

The value in use of a CGU is calculated by estimating the present value of the future cash flows that are expected to be generated by the CGU on the basis of criteria and methodological models in line with best market practice and the literature in this field. Those cash flows are determined using the most recent public business plan or, in the absence of such a plan, an internal forecasting plan developed by management.

Normally, the specific forecasting period covers a maximum time horizon of three years. The flow in the final year of the forecasting period is projected forward in perpetuity, using an appropriate growth rate "g" for the purposes of the terminal value.

In calculating value in use, the cash flows must be discounted using a rate that reflects the current time value of money and the specific risks to which the asset is exposed. More specifically, the discount rates adopted incorporate current market values for the risk-free rate and equity premiums observed over a sufficiently long period of time to reflect different market conditions and business cycles.

With specific reference to the rights of use recognized in accordance with IFRS 16, evidence that an asset may have suffered an impairment loss may be associated both with internal factors (deterioration, obsolescence, etc.) and external factors (market value, technological changes, etc.). Failure to exercise a right of use or the subletting of the underlying asset are considered potential indicators of impairment of the right of use.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability between willing and knowledgeable market participants in an orderly transaction. In the definition of fair value, a key assumption is that an entity is fully operational (the assumption that an entity is a going concern) and does not have the intention or the need to liquidate, significantly reduce its operations or undertake transactions on unfavorable terms. In other words, fair value is not the amount an entity would receive or would pay in a forced transaction, an involuntary

liquidation or a distress sale. Nevertheless, the fair value reflects the credit quality of the instrument as it incorporates counterparty risk.

Financial instruments

Please see section A.4 Fair value disclosures for more information on the methods used to determine the fair value of financial instruments.

Non-financial assets

Investment property is primarily valued using external appraisals, considering transactions at current prices in an active market for similar properties, in the same location and condition and subject to similar conditions for rentals and other contracts.

Financial guarantees

As part of its ordinary banking operations, the Group grants financial guarantees in the form of letters of credit, acceptances and other guarantees. Commission income earned on guarantees, net of the portion representing the recovery of costs incurred in issuing the guarantee, are recognized on an accruals basis under “Fee and commission income”, taking account of the term and residual value of the guarantees.

Following initial recognition, the financial guarantees are measured as the greater of the amount of the provision covering the losses determined in accordance with the rules governing impairment and the initial recognition amount (fair value) less (where appropriate) the cumulative amount of the income that the Group has recognized in accordance with IFRS 15 (deferred income).

Any losses and value adjustments on such guarantees are reported under “Net provisions for risks and charges: a) commitments and guarantees issued” in the income statement. Writedowns due to the impairment of guarantees issued are reported under “Provisions for risk and charges: a) commitments and guarantees issued” in liabilities in the balance sheet.

Guarantees are off-balance-sheet transactions and are reported under “Other information” in Part B of the notes to the financial statements.

Business combinations

The transfer of control of an entity (or a group of integrated activities and assets, conducted and managed together) is a business combination.

IFRS 3 requires that an acquirer be identified for all business combinations. The acquirer is the entity that obtains control over another entity or group of activities. If it is not possible to identify a controlling entity using the definition of control described earlier, such as for example in the case of an exchange of equity interests, the acquirer must be identified using other factors such as: the entity whose fair value is significantly greater, the entity that possibly pays cash or the entity that issues new equity instruments.

The acquisition (and therefore the first consolidation of the acquired entity) must be accounted for on the date on which the acquirer actually obtains control over the entity or the assets acquired. When the business combination is achieved in a single exchange transaction, the date of exchange normally coincides with the acquisition date. However, it is always necessary to check for any agreements between the parties that may involve a transfer of control before the exchange date.

The consideration transferred as part of a business combination is determined as the sum of the fair value, at the exchange date, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash (or when payment is made using financial instruments comparable to cash) the consideration is the agreed price, possibly discounted if payment will be made in installments over a period longer than short term. If payment is made using an instrument other than cash, such as through the issue of equity instruments, the price is equal to the fair value of the means of payment net of costs directly attributable to the equity issue.

The consideration in a business combination at the acquisition date includes adjustments subordinated to future events if envisaged in the transfer agreements and only if they are probable, reliably determinable and made within the twelve months following the date of acquisition of control, while indemnities for a reduction in the value of the assets used are not included as they are already considered in the fair value of the equity instruments or as a reduction in the premium or increase in the discount on the initial issue of debt instruments, where applicable.

The costs related to the acquisition are charges that the acquirer incurs to carry out the business combination. By way of example, these include professional fees paid to auditors, experts, legal consultants, fees for appraisals and the auditing of accounts, preparation of information documents required by regulations, as well as consulting costs incurred to identify potential targets for acquisition if it is contractually established that payment is made only in the event of a successful combination, as well as the costs of registration and the issue of debt or equity securities.

The acquirer must account for the costs related to the acquisition as charges in the periods in which these costs are incurred and the services are received, with the exception of the costs of issuing equity or debt securities, which must be recognized in accordance with the provisions of IAS 32.

Business combinations are accounted for using the acquisition method, under which the identifiable assets acquired (including any intangible assets previously not recognized by the acquiree) and the identifiable liabilities assumed (including contingent liabilities) must be recognized at their respective fair values on the acquisition date. Furthermore, for each business combination, any non-controlling interests in the acquiree can be recognized at fair value (with a consequent increase in the consideration transferred) or as a proportion of the share of the non-controlling interests in the identifiable net assets of the acquiree.

If control is obtained in stages, the acquirer shall recalculate the interest previously held in the acquiree at its respective fair value on the acquisition date and record any difference with respect to the previous carrying amount through profit or loss. The excess of the consideration transferred (represented by the fair value of the assets transferred, the liabilities incurred or the equity instruments issued by the acquirer), increased by the value of any non-controlling interest (determined as indicated above), and the fair value of the interest previously held by the acquirer, over the fair value of the assets and liabilities acquired must be recognized as goodwill. However, if the latter exceed the sum of the consideration, non-controlling interest and the fair value of the interest previously held, the difference is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost net of accumulated impairment losses. For the purpose of impairment testing, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash generating unit of the Group that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of the unit, the goodwill associated with the transferred asset is included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the transferred asset is determined on the basis of the relative values of the transferred asset and the part retained by the cash-generating unit.

Business combinations can be accounted for provisionally by the end of the reporting period in which the combination occurs, with the accounting to be completed within twelve months of the acquisition date.

If the business combination is carried out for reorganizational purposes, i.e. between two or more entities or businesses that already belong to the same group and the combination does not involve a change in control regardless of the extent of non-controlling interests before and after the business combination (business combinations of entities under common control), the transaction is considered to be without economic substance. Accordingly, in the absence of specific instructions in the IASs/IFRSs and in compliance with the presumptions of IAS 8 which require that - in the absence of a specific standard – an entity shall use of its judgment in applying an accounting policy that provides relevant, reliable, prudent information that reflects the economic substance of the transaction, such combinations are accounted for preserving the values in the financial statements of the acquiree in those of the acquirer.

Mergers are the form of business combination that represents the most complete form of combination, as they involve both the legal and economic unification of the participating parties.

Mergers, whether they are mergers of equals, i.e. with the establishment of a new legal entity following the combination, or the combination of one entity into another surviving entity, are treated in accordance with the criteria illustrated previously, and in particular:

- if the transaction involves the transfer of control of an entity, it is treated as a business combination within the scope of IFRS 3;
- if the transaction does not involve the transfer of control, it is accounted for by preserving the values in the financial statements of the merged entity in the surviving entity.

A. 3 – DISCLOSURES ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

In execution of shareholders' resolutions passed in December 2018 and following the establishment and launch of the Iccrea Cooperative Banking Group , at the beginning of 2019 71 mutual banks reconfigured the business model of their financial portfolio, reclassifying about €3.7 billion of securities held under the hold to collect and sell (HTCS) business model to the hold to collect (HTC) business model and reclassifying about €0.3 billion of securities held under the hold to collect (HTC) business model to the hold to collect and sell (HTCS) business model.

No financial assets were reclassified in 2020, 2021 and 2022.

The following table reports the reclassified carrying amount at January 1, 2019 of the reclassified assets as at that date and still recognized at the reporting date as they were not sold or otherwise derecognized during the year.

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CHANGE IN BUSINESS MODEL, CARRYING AMOUNT AND INTEREST INCOME

Type of financial instrument	Original portfolio	New portfolio	Reclassification date	Reclassified carrying amount	Interest income recognized in the period (before taxes)
Debt securities	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortized cost	31/12/2019	2,477,150	-

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

No financial assets were reclassified in 2022.

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

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

A.4 – FAIR VALUE DISCLOSURE

QUALITATIVE DISCLOSURES

This section provides the disclosures on the fair value of financial instruments as requested under IFRS 13, in particular paragraphs 91 and 92.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price") on the principal (or most advantageous) market, regardless of whether that price is directly observable or is estimated using a valuation technique.

Prices on an active market are the best indication of the fair value of financial instruments (Level 1 in the fair value hierarchy). In the absence of an active market or where prices are affected by forced transactions, fair value is determined on the basis of the prices of financial instruments with similar characteristics (Level 2 inputs – the comparable approach) or, in the absence of such prices as well, with the use of valuation techniques that use market inputs to the greatest extent possible (Level 2 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model).

For financial instruments measured at fair value, the Group assigns maximum priority to prices quoted on active markets and lower priority to the use of unobservable inputs, as the latter are more discretionary, in line with the fair value hierarchy noted above and discussed in greater detail in section A.4.3 below. The policy establishes the order of priority, the criteria and general conditions used to determine the choice of one of the following valuation techniques:

- mark to market: a valuation approach using inputs classified as Level 1 in the fair value hierarchy*;*
- the comparable approach: a valuation approach based on the use of the prices of instruments similar to the one undergoing valuation, which are classified as Level 2 in the fair value hierarchy;
- mark to model: a valuation approach based on the use of pricing models whose inputs are classified as Level 2 (in the case of the exclusive use of market observable inputs) or Level 3 (in the case of the use of at least one significant unobservable input) in the fair value hierarchy.

Mark to market

Classification in Level 1 of the fair value hierarchy represents the mark-to-market approach. For an instrument to be classified in Level 1 of the fair value hierarchy, its value must be based solely on quoted prices in an active market to which the Bank has access at the time of valuation (Level 1 inputs).

A quoted price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value.

The concept of active market is a key concept in allocating a financial instrument to Level 1. An active market is a market (or dealer, broker, industrial group, pricing service or regulatory agency) in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Thus, the definition implies that the concept of active market is associated with the individual financial instrument and not the market itself, and it is therefore necessary to conduct materiality tests.

The definition of "active market" is broader than that of "regulated market": regulated markets are defined as the markets included in the list provided for by Article 63, paragraph 2, of the Consolidated Finance Act (TUF) and in the special section of the same list (see Article 67, paragraph 1, of the TUF). These markets are managed by companies authorized by CONSOB that operate in accordance with the provisions of the TUF and under the supervision of CONSOB itself.

Other markets in addition to regulated markets include organized trading systems (Multilateral Trading Systems and Systematic Internalizers) defined, pursuant to Legislative Decree 58/98, as a "set of rules and structures, including automated structures, which make exchange possible, on an ongoing or periodic basis, in order to collect and transmit orders for transactions in financial instruments and to settle these orders, for the purpose of concluding contracts": although normally the financial instruments listed on these markets fall within the definition of instruments listed on active markets, there may be situations in which officially listed instruments are not liquid due to low trading volumes. In such cases, quoted prices cannot be considered representative of the fair value of an instrument. Generally speaking, multilateral trading facilities (MTF) can be considered active markets if they are characterized by continuous and significant trading and/or by the presence of binding prices provided by the market maker, such as to ensure the formation of prices that actually represent the fair value of the instrument.

Financial instruments are also listed on regulated markets in other countries, and therefore not regulated by CONSOB, whose prices are available daily. These prices are considered representative of the fair value of the financial instruments insofar as they represent the result of a regular transaction and not only of offers to buy or sell. Finally, other markets, while not regulated, can also be considered active markets (e.g. platforms such as Bloomberg or Markit). Electronic over-the-counter (OTC) trading circuits are considered active markets to the extent

that the quotations provided actually represent the price at which a normal transaction would occur. Similarly, the quotes published by brokers are representative of fair value if they reflect the actual price level of the instrument in a liquid market (that is, they are not indicative prices, but rather binding offers).

Ultimately, in order to consider a market active, the significance of the price observed on the market itself is of particular importance and, for this reason, the following factors are considered:

- bid-ask spreads: the difference between the price at which an intermediary undertakes to sell the securities (ask) and the price at which it undertakes to buy them (bid). The larger the spread, the lower the liquidity of the market and therefore the significance of the price;
- breadth and depth of the trading book: the first concept refers to the presence of offers of large dimensions, while the depth of the book means the existence of both purchase and sell orders for numerous price levels;
- number of contributors: number of market participants providing purchase or sell offers for a specific instrument. The larger the number of active market participants, the greater the significance of the price;
- availability of information on the terms and conditions of transactions;
- price volatility: presence of daily prices of the instrument outside a certain range. The lower the volatility of the prices, the greater the significance of the price.

Comparable approach

As already noted, the fair value of financial instruments classified in Level 2 can be determined using two different approaches: the so-called comparable approach, which presupposes the use of prices quoted on active markets for similar assets or liabilities or the prices of identical assets or liabilities on inactive markets, and the model valuation approach (or mark to model), which uses valuation techniques based on observable inputs concerning the instrument itself or similar instruments.

In the case of the comparable approach, measurement is based on the prices of substantively comparable instruments in terms of risk-return, maturity and other trading conditions. The following Level 2 inputs are necessary for use of the comparable approach:

- quoted prices on active markets for similar assets or liabilities;
- quoted prices for the instrument involved or for similar instruments on inactive markets, i.e. markets in which transactions are infrequent, prices are not current, change significantly over time or among the various market makers or on which little information is made public.

If there are quoted instruments that meet all of the comparability criteria indicated here, the value of the Level 2 instrument is considered to correspond to the quoted price of the comparable instrument, adjusted if necessary for factors observable on the market.

However, if the conditions for using the comparable approach directly do not apply, the approach may still be used as an input in Level 2 mark-to-model valuations.

Mark-to-model approach

In the absence of quoted prices for the instrument or for comparable instruments, valuation models are adopted. Valuation models must always maximize the use of market inputs. Accordingly, they must make priority use of observable market inputs (e.g. interest rates and yield curves observable at commonly quoted intervals, volatilities, credit spreads, etc.).

In the absence of directly or indirectly observable inputs or where they are insufficient to determine the fair value of an instrument, inputs that are not observable on the market be used (discretionary estimates and assumptions). With the consequent allocation of the estimate obtained to Level 3 of the fair value hierarchy.

The mark-to-model technique therefore does not give rise to a single classification within the fair value hierarchy. Depending on the observability and materiality of the inputs used in the valuation model, an instrument could be assigned to Level 2 or Level 3.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

The Group uses mark-to-model approaches in line with methods that are generally accepted and used in the industry. The valuation models comprise techniques based on the discounting of future cash flows and the estimation of volatility. They are reviewed both during their development and periodically thereafter in order to ensure their full consistency with the valuation objectives.

In the absence of quoted prices on active markets, financial instruments are measured as follows:

- bonds are measured using a discounted cash flow model adjusted for the credit risk of the issuer. The inputs used are yield curves and credit spreads for the issuer. The discount rule based on the guarantor's yield curve is applied to these securities, failing which the sectoral curve corresponding to the rating of the security (or of the guarantor in case of unavailability) and the guarantor's product sector is used. The inputs used include yield curves and any illiquidity spread;
- structured bonds are measured using a discounted cash flow model that incorporates valuations from option pricing models, adjusted for the credit risk of the issuer. The discount rule based on the guarantor's yield curve is applied to these securities, failing which the sectoral curve corresponding to the rating of the security (or of the guarantor in case of unavailability) and the guarantor's product sector is used. The inputs used include yield curves and any illiquidity spread, as well volatility surfaces and the correlation matrix for the underlyings;
- asset backed securities (ABS) are measured using the discounted sum of expected future cash flows. The cash flow model estimates future developments in the underlying asset portfolio, taking account of payment reports, market data and model input parameters, applying the priority of payments to obtain the expected future cash flows for the notes (interest and principal). Once the expected cash flows have been obtained, the PV of each individual note is obtained by discounting these flows using the discount margin method for variable-rate securities, or the discount yield for fixed-rate securities. The inputs used include, in addition to the government securities yield curve, the illiquidity spread and yield curves;
- derivatives on interest rates are measured using discounted cash flow models, within the multi-curve framework based on OIS discounting;
- derivatives involving options on rates, such as caps/floors and European swaptions, are measured using the Bachelier model, which uses the volatility matrix for these instruments and interest rates as market input parameters, in accordance with the multi-curve measurement framework based on OIS discounting;
- equity and CIU derivatives are valued using the Black&Scholes models (or models based on it, such as the Rubinstein model for forward starts and the Nengju Ju model for Asian options), which includes an estimate of volatility through interpolation by maturity and strike prices on a volatility matrix, as well as the inclusion of dividends. The inputs used are the price of the underlying equity, the volatility surface and the interest rate dividend curve. The estimate of the value uses the OIS/BC discounting approach;
- derivatives on exchange rates are valued using a discounted cash flow approach for plain-vanilla contracts or a Garman and Kohlhagen model for European options on exchange rates. The inputs are spot exchange rates and the forward points curve and volatility surfaces for plain-vanilla options. The estimate of the value uses the OIS/BC discounting approach;
- inflation derivatives, such as zero-coupon indexed inflation swaps and CPI swaps, are measured using a discounted cash flow approach, which in turn are measured on the basis of the term structure of inflation and seasonal factors (CPI Cash Flow Model), a in accordance with the multi-curve measurement framework based on OIS discounting;
- equity securities are measured at fair value estimated using models applied in valuation practice or using balance sheet, income or mixed methods or with reference to direct transactions in the same security or similar securities observed over an appropriate span of time with respect to the valuation date. They are measured at cost if their carrying amount is below the materiality thresholds set by the Group both at individual and consolidated level and in cases where the cost represents a reliable estimate of fair value (e.g. because the most recent information to evaluate fair value is not available);
- investments in CIUs other than open-end harmonized funds are generally valued on the basis of the NAVs (adjusted where necessary with a specific liquidity adjustment if not fully representative of the fair value) made available by the asset management companies. These investments include private equity funds, real estate investment funds, bond funds and loan-based funds (impaired and performing);
- medium/long-term loans to customers are measured on the basis of a mark-to-model process using the discounted cash flow approach for the positions and other models for estimating option components where applicable;
- for medium/long-term liabilities, represented by securities for which the fair value option was chosen, the fair value is determined alternatively by either discounting the residual contractual cash flows using the zero-coupon yield curve, by applying the asset swap method or by using other yield curves deemed representative of the Bank’s credit standing.

Significant unobservable inputs used in valuing instruments in Level 3 mainly include:

- estimates and assumptions underlying the models used to measure investments in equity securities and units in CIUs;

- Probability of Default (PD) and Loss Given Default (LGD): the parameters are derived from the impairment model. They are used to measure financial instruments for disclosure purposes only;
- credit spreads: the figure is extrapolated to create sector CDS curves using regression algorithms on the basis of a panel of single-name CDS curves. The figure is used to value financial instruments for disclosure purposes only;
- the liquidity spreads used in the mark-to-model measurement of ABS.

The Group also provides for the possibility of applying valuation adjustments to the prices of financial instruments when the valuation technique used does not capture factors that market participants would use in estimating fair value, for example when it is necessary to ensure that the fair value reflects the value of a transaction that could actually be carried out in a market.

The factors impacting the need for an adjustment include the complexity of the financial instrument; the credit standing of the counterparty; and the presence of any collateral agreements. In particular, the Group uses a method for calculating the CVA/DVA (Credit Value Adjustments/Debt Value Adjustments) in order to adjust the calculation of the fair value of uncollateralized derivatives in order to take account of counterparty risk (non-performance risk). The CVA/DVA is not calculated when collateral agreements have been formalized and are operational for derivatives positions.

With particular regard to units held in unlisted alternative investment funds (so-called AIFs),a liquidity adjustment is determined to be applied to the Net Asset Value (NAV) of the unlisted funds held.

The methodological approach adopted provides for the consideration, in line with market best practice, of the following main elements:

- the average holding period of the individual unlisted funds before they can be sold;
- the characteristics of the individual assets held by the fund and their level of volatility in the holding period considered (degree of uncertainty);
- the level of risk aversion reflected in a prudent threshold which, with reference to the distribution of the possible returns/final value of the asset/portfolio considered, makes it possible to measure any divergence from their expected value.

The use of these elements made it possible to estimate a discount with respect to the NAV, calculated as a percentage adjustment of the risk premium linked to the uncertainty concerning potential unfavorable changes in value before their realization while also taking account of the management costs of the funds not incorporated in the NAVs of the individual unlisted funds.

For 2022, the percentage adjustment applied was respectively 5.03% for real estate funds, 8.83% for private debt–bad loan funds, 4.81% for private debt – NPL UTP funds, 2.94% for private debt – Performing loan funds, 1% for private debt – bond funds and 6.81% for private equity funds.

A.4.2 VALUATION PROCESSES AND SENSITIVITY

The Group conducted an analysis of the potential sensitivity of the valuations of instruments classified in Level 3 and measured at fair value on a recurring basis to changes in the unobservable market parameters.

Level 3 exposures to financial instruments are mainly represented by units in CIUs, property, plant and equipment and equity securities.

The sensitivity analysis of unobservable inputs is conducted through a stress test of all significant unobservable inputs for the different types of assets. The tests are used to determine the potential changes in the fair value by category of asset attributable to changes in the determination of unobservable inputs (such as the volatility and the correlation of the recovery rates of the clusters for the NPL component of funds and the distribution haircut for the real estate component.

This analysis demonstrated that the sensitivity impacts were not material.

A.4.3 FAIR VALUE HIERARCHY

Under the provisions of IFRS 13, all fair value valuations must be classified within the three levels that delineate the valuation process on the basis of the characteristics and significance of the inputs used:

- Level 1: unadjusted quoted prices on an active market. Fair value is drawn directly from quoted prices observed on active markets. A financial instrument is considered to be quoted on an active market if prices are readily and regularly available and represent actual market transactions carried out on normal terms on a regulated market or MTF;
- Level 2: inputs other than the quoted prices noted above that are observable on the market either directly (prices) or indirectly (derivatives on prices). Fair value is determined using valuation techniques that provide for: a) the use of market inputs indirectly connected with the instrument being valued and derived from instruments with similar risk characteristics or quoted on inactive markets (the comparable approach); or b) that use observable inputs;

- Level 3: inputs that are not observable on the market. Fair value is determined using valuation techniques that use significant unobservable inputs, such as non-binding quotes provided by infoproviders (Mark to Model approach).

The following are normally considered Level 1:

- shares, debt securities and units of CIUs listed on regulated markets. Units of CIUs include mutual investment funds (UCITS, AIFs and restricted FIAs), SICAVs/SICAFs and ETPs (Exchange Traded Products);
- debt securities listed on Multilateral Trading Facilities (MTF) which meet the "specific requirements for multilateral trading systems" set out in MiFID II;
- debt securities whose fair value is equal to the unadjusted prices provided by brokers/market makers from an active market for an identical instrument and executable at the declared level;
- Units of CIUs whose value (NAV) is provided directly by the market operator;
- listed derivative financial instruments and issued financial liabilities whose fair value at the valuation date corresponds to the price quoted on an active market.

The following are normally considered Level 2:

- debt securities issued by national and international issuers that are not listed on an active market and are measured using approaches that mainly employ observable market inputs;
- debt securities whose fair value is equal to the prices provided by brokers/market makers determined with a valuation model based on observable market inputs;
- OTC financial derivatives entered into with institutional counterparties for which the main inputs are observable market data;
- units of CIUs whose prices are provided by the issuing entity (the so-called "soft NAV") or whose fair value is adjusted using pricing models based on observable market inputs;
- insurance policies and interest-bearing postal bonds whose fair value is approximated, respectively, by the surrender and redemption value, which under applicable regulations represent the exit prices for those instruments.

Finally, the following are normally considered Level 3:

- debt securities not listed on an active market and measured using approaches that mainly employ unobservable inputs;
- debt securities whose fair value is equal to the prices provided by brokers/market makers determined with a valuation model based on unobservable inputs;
- equity securities and issued financial liabilities for which there are no prices quoted on active markets at the valuation date and which are mainly valued using techniques based on unobservable market data;
- OTC financial derivatives entered into with institutional counterparties and measured using pricing models similar to those used for Level 2 valuations but from which they differ in the degree of observability of the inputs used in the pricing techniques;
- financial derivatives entered into with customers for which the fair value adjustment taking account of default risk is significant with respect to the total value of the financial instrument;
- units of CIUs whose prices are provided by the issuing entity (the so-called "soft NAV") or whose fair value is adjusted using pricing models not based entirely on observable market inputs.

In general, transfers of financial instruments between Level 1 and Level 2 in the fair value hierarchy only occur in the event of changes in the market in the period considered. For example, if a market previously considered active no longer meets the minimum requirements for being considered active, the instrument will be reclassified to a lower level; in the opposite case, it will be raised to a higher level.

A.4.4 OTHER INFORMATION

The circumstances referred to in paragraphs 51, 93 letter i) and 96 of IFRS 13 do not apply to the Group's financial statements as the Group is not managing groups of financial assets and liabilities on the basis of its net exposure to a specific market risk (or risks) or to the credit risk of a specific counterparty and the highest and best use of a non-financial asset does not differ from its current use.

QUANTITATIVE DISCLOSURES

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS: BREAKDOWN BY FAIR VALUE INPUT LEVEL

	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss of which	335,378	1,057,325	283,118	421,637	1,051,368	255,760
a) financial assets held for trading	26,022	227,989	482	86,466	79,697	2,486
b) financial assets designated as at fair value	249,872	-	1,519	272,555	-	2,913
c) other financial assets mandatorily measured at fair value	59,483	829,336	281,116	62,616	971,671	250,361
2. Financial assets measured at fair value through comprehensive income	7,794,642	445,992	67,962	7,514,842	269,285	66,344
3. Hedging derivatives	788	1,891,034	-	178	42,781	-
4. Property, plant and equipment	-	-	404,527	-	-	444,478
5. Intangible assets	-	-	-	-	-	-
Total	8,130,809	3,394,351	755,606	7,936,657	1,363,435	766,581
1. Financial liabilities held for trading	5,093	231,389	-	49,048	79,918	508
2. Financial liabilities designated as at fair value	-	-	-	133	123	-
3. Hedging derivatives	159	350,078	-	372	494,895	-
Total	5,252	581,467	-	49,553	574,936	508

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	255,760	2,486	2,913	250,361	66,344	-	444,478	-
2. Increases	70,812	2,797	245	67,770	2,941	-	3,364	-
2.1 Purchases	30,712	2,797	-	27,916	226	-	3,364	-
2.2 Profits recognized in:	3,466	-	244	3,222	2,435	-	-	-
2.2.1 Income statement	3,466	-	244	3,222	194	-	-	-
- of which: capital gains	3,236	-	244	2,992	194	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	2,241	-	-	-
2.3 Transfers from other levels	35,544	-	-	35,544	2	-	-	-
2.4 Other increases	1,089	-	1	1,089	278	-	-	-
3. Decreases	43,453	4,800	1,638	37,015	1,323	-	43,315	-
3.1 Sales	2,946	2,541	-	405	323	-	16,377	-
3.2 Repayments	7,616	9	588	7,018	75	-	-	-
3.3 Losses recognized in:	19,115	93	438	18,584	758	-	26,055	-
3.3.1 Income statement	19,115	93	438	18,584	155	-	26,055	-
- of which: capital losses	17,987	24	436	17,527	1	-	19,055	-
3.3.2 Shareholders' equity	-	X	X	X	603	-	-	-
3.4 Transfers to other levels	5,445	-	-	5,445	1	-	687	-
3.5 Other decreases	8,332	2,158	611	5,562	167	-	197	-
4. Closing balance	283,118	482	1,519	281,116	67,961	-	404,527	-

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

	Financial liabilities held for trading	Financial liabilities designated as at fair value	Hedging derivatives
1. Opening balance	**508**	**-**	**-**
2. Increases	**26**	**-**	**-**
2.1 Issues	-	-	-
2.2. Losses allocated to:	-	-	-
2.2.1 Income statement	-	-	-
- of which: capital losses	-	-	-
2.2.2 Shareholders' equity	X	-	-
2.3 Transfers from other levels	17	-	-
2.4 Other increases	9	-	-
3. Decreases	**534**	**-**	**-**
3.1. Repayments	-	-	-
3.2. Repurchases	-	-	-
3.3 Profits recognized in:	19	-	-
3.3.1 Income statement	19	-	-
- of which: capital gains	16	-	-
3.3.2 Shareholders' equity	X	-	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	514	-	-
4. Closing balance	**-**	**-**	**-**

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

	31/12/2022				31/12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortized cost	150,454,937	52,912,325	803,827	95,611,562	159,230,200	59,966,840	8,654,232	101,254,475
2. Investment property	152,233	-	1,361	155,211	145,391	-	1,361	156,339
3. Non-current assets and disposal groups held for sale	159,293	-	1,624	-	219,563	-	-	-
Total	**150,766,464**	**52,912,325**	**806,812**	**95,766,772**	**159,595,154**	**59,966,840**	**8,655,593**	**101,410,814**
1. Financial liabilities measured at amortized cost	156,829,575	3,168,170	36,882,541	115,911,548	163,327,888	3,590,425	34,744,061	124,421,346
2. Liabilities associated with assets held for sale	247,896	-	-	-	182,098	-	-	-
Total	**157,077,471**	**3,168,170**	**36,882,541**	**115,911,548**	**163,509,986**	**3,590,425**	**34,744,061**	**124,421,346**

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

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

During the period under review, differences emerged between the fair values posted at the time of initial recognition and the values recalculated at the same date using valuation techniques in accordance with IFRS 9 (paragraphs B.5.1.2 A letter b), with a net negative impact of about €398 thousand in respect of cash flow hedges.

PART B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS – ITEM 10

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

		Total 31/12/2022	Total 31/12/2021
a) Cash		739,346	801,630
b) Current accounts and demand deposits with central banks		144,164	365,673
c) Current accounts and demand deposits with banks		306,398	507,265
	Total	1,189,908	1,674,568

The item "Demand deposits with central banks", a slight decrease compared with the end of the previous year, includes deposits with the Bank of Italy, including €38 million attributable to the Guarantee Scheme operated by Parent Company and the remainder largely accounted for by amounts connected with the instant payments service.

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

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	**21,986**	**70**	**196**	**83,969**	**108**	**48**
1.1 structured securities	3,556	-	10	877	15	10
1.2 other debt securities	18,430	70	186	83,092	93	38
2. Equity securities	**2,435**	**-**	**-**	**1,154**	**-**	**3**
3. Units in collective investment undertakings	**705**	**505**	**127**	**983**	**1,874**	**152**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total (A)	25,126	575	323	86,106	1,982	203
B. Derivatives						
1. Financial derivatives	**896**	**227,414**	**159**	**360**	**77,715**	**2,283**
1.1 trading	896	227,414	159	360	77,715	2,283
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	896	227,414	159	360	77,715	2,283
Total (A+B)	26,022	227,989	482	86,466	79,697	2,486

The sub-item A.1 – 1.2 "other debt securities" mainly includes government securities held for trading in the amount of about €15 million, a decrease of €61 million compared with the end of the previous year.

The sub-item B.1 – 1.1 reports the market value of the derivatives originated by Group operations, which increased on the end of the previous year, reflecting in part developments in interest rates during the year.

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

	Total 31/12/2022	Total 31/12/2021
A. On-balance-sheet assets		
1. Debt securities	**22,252**	**84,125**
a) Central banks	-	-
b) Government entities	14,581	75,499
c) Banks	3,496	5,335
d) Other financial companies	3,361	1,568
of which: insurance undertakings	-	-
e) Non-financial companies	814	1,723
2. Equity securities	**2,435**	**1,157**
a) Banks	899	279
b) Other financial companies	1,166	168
of which: insurance undertakings	1,073	50
c) Non-financial companies	370	710
d) Other issuers	-	-
3. Units in collective investment undertakings	**1,337**	**3,009**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**26,024**	**88,291**
B. Derivatives		
a) Central counterparties	82,104	-
b) Other	146,365	80,358
Total (B)	**228,469**	**80,358**
Total (A+B)	**254,493**	**168,649**

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

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1.Debt securities	**249,873**	**-**	**-**	**272,554**	**-**	**-**
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	249,873	-	-	272,554	-	-
2. Loans	**-**	**-**	**1,519**	**-**	**-**	**2,913**
2.1 structured	-	-	-	-	-	-
2.2 other	-	-	1,519	-	-	2,913
Total	**249,873**	**-**	**1,519**	**272,554**	**-**	**2,913**

The item 1.2 “other debt securities”, down compared with the end of the previous year, reports the balance for securities in which the liquidity from the Guarantee Scheme operated by Parent Company is invested.

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

	Total 31/12/2022	Total 31/12/2021
1. Debt securities	**249,873**	**272,554**
a) Central banks	-	-
b) Government entities	216,187	236,177
c) Banks	33,686	32,486
d) Other financial companies	-	3,891
of which: insurance undertakings	-	-
e) Non-financial companies	-	-
2. Loans	**1,519**	**2,913**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial companies	250	504
f) Households	1,269	2,409
Total	251,392	275,467

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

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**26,581**	**38,915**	**6,699**	**22,802**	**44,673**	**4,004**
1.1 structured securities	6,774	7,428	2,031	8,132	13,213	291
1.2 other debt securities	19,807	31,487	4,668	14,670	31,460	3,713
2. Equity securities	**21,468**	**24,061**	**9,790**	**26,676**	**43,522**	**4**
3. Units in collective investment undertakings	**9,432**	**93,839**	**223,519**	**11,154**	**96,861**	**199,315**
4. Loans	**2,003**	**672,521**	**41,108**	**1,984**	**786,615**	**47,038**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	2,003	672,521	41,108	1,984	786,615	47,038
Total	59,484	829,336	281,116	62,616	971,671	250,361

The item includes financial instruments that under IFRS 9 do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income (unit in CIUs, insurance policies, postal savings bonds, debt securities and loans failing to pass the SPPI test, the latter including exposures to system funds).

In particular, item 3, "Units in collective investment undertakings" shows a slight increase of €20 million compared with the end of the previous year.

The largest components of loans reported under 4.2 "Other" include insurance policies underwritten by the banks of the Group in the amount of about €569 million (a slight decrease on the end of 2021) and interest-bearing postal bonds of around €73 million (down from €136 million at December 31, 2021).

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

	Total 31/12/2022	Total 31/12/2021
1.Equity securities	**55,319**	**70,202**
of which: banks	9,466	14,835
of which: other financial companies	38,176	24,707
of which: non-financial companies	7,677	30,660
2. Debt securities	**72,195**	**71,479**
a) Central banks	-	-
b) Government entities	572	571
c) Banks	49,908	47,369
d) Other financial companies	19,265	18,270
of which: insurance companies	1,611	1,853
e) Non-financial companies	2,450	5,269
3. Units in collective investment undertakings	**326,790**	**307,330**
4. Loans	**715,632**	**835,637**
a) Central banks	-	-
b) Government entities	11,193	6,879
c) Banks	-	-
d) Other financial companies	704,049	825,933
of which: insurance companies	568,677	619,045
e) Non-financial companies	-	1,015
f) Households	390	1,810
Total	**1,169,936**	**1,284,648**

The item “Units in collective investment undertakings” mainly includes real estate funds in the amount of €140 million, loan funds in the amount of €85 million and bond funds in the amount of €50 million.

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

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION BY TYPE

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**7,772,098**	**39,427**	**33**	**7,508,818**	**15,271**	**56**
1.1 structured securities	125,518	4,116	-	80,921	146	1
1.2 other debt securities	7,646,580	35,311	33	7,427,897	15,125	55
2. Equity securities	**22,544**	**406,565**	**67,929**	**6,024**	**254,014**	**66,288**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**7,794,642**	**445,992**	**67,962**	**7,514,842**	**269,285**	**66,344**

The item “Debts securities” mainly includes government securities.

“Equity securities - Level 2” includes the equity investment in the Bank of Italy for a total of €375 million, an increase of €150 million over December 31, 2021 as a result of purchases during the year. The remainder of equity securities mainly includes non-controlling interests.

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

	Total 31/12/2022	Total 31/12/2021
1. Debt securities	**7,811,558**	**7,524,145**
a) Central banks	-	581
b) Government entities	7,432,076	7,144,106
c) Banks	194,288	236,350
d) Other financial companies	116,494	74,424
of which: insurance undertakings	1,116	782
e) Non-financial companies	68,700	68,684
2. Equity securities	**497,038**	**326,326**
a) Banks	385,250	235,547
b) Other issuers:	111,788	90,779
- other financial companies	57,762	56,688
of which: insurance undertakings	9,125	6,308
- non-financial companies	53,966	33,640
- other	60	451
3. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**8,308,596**	**7,850,471**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL WRITEOFFS

	Gross amount					Total writeoffs				Total partial writeoffs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	7,681,808	7,645,574	139,985	33	-	(1,941)	(8,327)	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**7,681,808**	**7,645,574**	**139,985**	**33**	**-**	**(1,941)**	**(8,327)**	**-**	**-**	**-**
Total 31/12/2021	**7,351,659**	**7,158,882**	**182,993**	**55**	**-**	**(2,303)**	**(8,259)**	**-**	**-**	**-**

** Value to be reported for information purposes*

3.3A LOANS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AMOUNT AND TOTAL WRITEOFFS

The table has not been completed as the Group has not granted loans measured at fair value through other comprehensive income.

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTIZED COST - ITEM 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN OF LOANS AND RECEIVABLES WITH BANKS

	Total 31/12/2022						Total 31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3
A. Claims on central banks	**589,471**	**-**	**-**	**-**	**-**	**589,472**	**8,014,335**	**-**	**-**	**-**	**6,710,286**	**1,304,050**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirements	589,459	-	-	X	X	X	8,014,320	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	12	-	-	X	X	X	15	-	-	X	X	X
B. Due from banks	**2,101,780**	**36**	**-**	**903,406**	**193,808**	**866,993**	**2,171,296**	**220**	**-**	**781,170**	**145,993**	**1,471,512**
1. Financing	967,494	36	-	-	51,922	832,482	1,250,800	220	-	-	41,774	1,421,293
1.1 Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	94,909	-	-	X	X	X	1	-	-	X	X	X
1.3. Other financing:	872,585	36	-	X	X	X	1,250,800	220	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	48,519	-	-	X	X	X
- Finance leases	256	-	-	X	X	X	263	-	-	X	X	X
- Other	872,329	36	-	X	X	X	1,202,018	220	-	X	X	X
2. Debts securities	1,134,286	-	-	903,406	141,886	34,511	920,496	-	-	781,170	104,219	50,219
2.1 Structured securities	204,433	-	-	186,388	3,598	-	88,585	-	-	76,161	13,460	-
2.2 Other debt securities	929,853	-	-	717,018	138,288	34,511	831,911	-	-	705,009	90,759	50,219
Total	**2,691,251**	**36**	**-**	**903,406**	**193,808**	**1,456,465**	**10,185,631**	**220**	**-**	**781,170**	**6,856,279**	**2,775,562**

“Claims on central banks” total €0.6 billion (down from €8 billion at the end of the previous year, reflecting in part the partial repayment of TLTRO funding during the year) and include the balance of the Group banks’ reserve requirement managed on behalf of the mutual banks by the Parent Company.

The sub-item “debt securities” comes to €1.1 billion, slightly up from the end of the previous year, and is attributable to bank bonds held by the Group.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY PRODUCT OF LOANS AND RECEIVABLES WITH CUSTOMERS

	Total 31/12/2022						Total 31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Level 1	Level 2	Level 3
1. Loans	**89,503,163**	**1,359,113**	**6,275**	**-**	**374,093**	**92,652,518**	**86,347,290**	**2,399,180**	**11,304**	**6,530**	**552,400**	**97,783,459**
1.1. Current accounts	6,196,570	140,974	-	X	X	X	5,736,543	334,174	143	X	X	X
1.2. Repurchase agreements	778,722	-	-	X	X	X	203,329	-	-	X	X	X
1.3. Medium/long term loans	68,820,820	1,064,835	4,483	X	X	X	66,743,973	1,806,523	7,207	X	X	X
1.4. Credit cards, personal loans and loans repaid by automatic deductions from wage	2,131,577	18,351	-	X	X	X	2,140,203	27,782	2	X	X	X
1.5. Finance leases	3,675,801	91,373	-	X	X	X	3,945,223	156,392	1,689	X	X	X
1.6. Factoring	638,789	9,301	-	X	X	X	546,178	27,873	-	X	X	X
1.7. Other loans	7,260,884	34,279	1,792	X	X	X	7,031,841	46,436	2,263	X	X	X
2. Debt securities	**56,894,942**	**157**	**-**	**52,008,919**	**235,926**	**1,502,579**	**60,286,162**	**413**	**-**	**59,179,140**	**1,245,553**	**695,454**
2.1. Structured securities	398,422	44	-	400,981	44,790	98,574	378,055	51	-	345,207	74,191	102,239
2.2. Other debt securities	56,496,520	113	-	51,607,938	191,136	1,404,005	59,908,107	362	-	58,833,932	1,171,362	593,215
Total	**146,398,105**	**1,359,270**	**6,275**	**52,008,919**	**610,019**	**94,155,097**	**146,633,452**	**2,399,593**	**11,304**	**59,185,670**	**1,797,953**	**98,478,913**

The item “Repurchase agreements” came to €0.8 billion and mainly reports amounts connected with transactions with the Clearing & Guarantee Fund, a slight increase on the end of 2021.

Medium/long-term loans, amounting to €69.9 billion, are mainly granted to households and non-financial companies and increased on the end of 2021 by €1.3 billion.

Loans to customers include approximately €218 million in loans disbursed with funds made available by public entities, mainly local governments, with the Group to a prevalent extent assuming part of the risk. The operations are mainly aimed at supporting the business sector (mainly small and medium-sized enterprises) and agriculture with credit and to finance measures connected with disasters.

"Debt securities” classified here came to €56.9 billion, down €3.4 billion on the end of the previous year, and include €54.6 billion of government securities, mainly Italian government securities.

The above items include senior notes issued in securitization transactions totaling about €1.5 billion, mostly attributable to own securitization transactions.

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

	Total 31/12/2022			Total 31/12/2021		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired
1. Debt securities	**56,894,942**	**157**	**-**	**60,286,162**	**413**	**-**
a) Government entities	54,560,715	16	-	57,968,126	16	-
b) Other financial companies	2,059,996	-	-	2,075,191	1	-
of which: insurance undertakings	17,949	-	-	15,932	-	-
c) Non-financial companies	274,231	141	-	242,845	396	-
2. Loans to:	**89,503,163**	**1,359,113**	**6,275**	**86,347,290**	**2,399,180**	**11,304**
a) Government entities	957,179	78	-	898,562	7,340	-
b) Other financial companies	3,143,285	14,662	-	2,705,801	11,756	-
of which: insurance undertakings	6,234	-	-	7,054	-	-
c) Non-financial companies	41,924,492	756,263	5,864	41,556,593	1,345,185	9,828
d) Households	43,478,207	588,110	411	41,186,334	1,034,899	1,476
Total	**146,398,105**	**1,359,270**	**6,275**	**146,633,452**	**2,399,593**	**11,304**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS AMOUNT AND TOTAL WRITEOFFS

	Gross amount					Total writeoffs				Total and partial writeoffs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	purchased or originated credit-impaired	
Debts securities	57,455,225	55,586,900	675,632	1,414	-	(14,777)	(86,852)	(1,257)	-	-
Loans	84,290,923	1,080,385	7,765,047	4,219,577	14,143	(497,170)	(498,672)	(2,860,428)	(7,868)	(479,567)
Total 31/12/2022	**141,746,148**	**56,667,285**	**8,440,679**	**4,220,991**	**14,143**	**(511,947)**	**(585,524)**	**(2,861,685)**	**(7,868)**	**(479,567)**
Total 31/12/2021	**145,767,632**	**58,014,901**	**12,296,235**	**6,429,451**	**24,070**	**(508,293)**	**(736,491)**	**(4,029,638)**	**(12,766)**	**(283,071)**

* Value to be reported for information purposes

4.4A LOANS MEASURED AT AMORTIZED COST INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AMOUNT AND TOTAL WRITEOFFS

	Gross amount					Total writeoffs				Total and partial writeoffs *
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	purchased or originated credit-impaired	
1. Loans subject to forbearance measures compliant with guidelines	19,831	-	11,995	3,000	-	(242)	(712)	(2,152)	-	-
2. Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	28,399	-	1,245	1,541	-	(417)	(25)	(900)	-	-
3. Loans subject to other forbearance measures	25,691	-	184,649	87,919	-	(588)	(15,605)	(54,661)	-	(7,361)
4. New loans	7,764,326	-	615,003	154,903	-	(17,789)	(17,376)	(62,248)	-	-
Total	**7,838,247**	**-**	**812,892**	**247,363**	**-**	**(19,036)**	**(33,718)**	**(119,961)**	**-**	**(7,361)**
Total	**8,729,835**	**413**	**1,578,849**	**246,121**	**-**	**(20,004)**	**(95,036)**	**(101,984)**	**-**	**(54)**

The table reports a breakdown of the gross value and total writeoffs, broken down by risk stages and "purchased or originated credit impaired" status for loans subject to moratoriums or other forbearance measures outstanding at the reporting date, or which represent new liquidity granted through public guarantee mechanisms.

SECTION 5 – HEDGING DERIVATIVES - ITEM 50

5.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND LEVEL OF INPUT

	Fair value 31/12/2022			NV 31/12/2022	Fair value 31/12/2021			NV 31/12/2021
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	788	1,886,805	-	13,782,102	178	39,143	-	3,426,730
2. Cash flows	-	4,229	-	40,000	-	3,639	-	325,350
3. Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**788**	**1,891,034**	**-**	**13,822,102**	**178**	**42,782**	**-**	**3,752,080**

Key
NV=Notional value
L1=Level 1
L2= Level 2
L3= Level 3

The increase in the balances compared with 2021 is mainly attributable to an increase in operations and the rising trend in market rates observed during the year, reflecting the nature of the items hedged, mainly represented by fixed-rate long-term loans and fixed-rate securities.

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

	Fair value							Cash flows		Investments in foreign operations
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equity securities and equity indices	currencies and gold	loans	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	22,562	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	1,016,413	X	889	-	X	X	X	4,229	X	X
3. Portfolio	X	X	X	X	X	X	838,664	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**1,038,975**	**-**	**889**	**-**	**-**	**-**	**838,664**	**4,229**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	9,065	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**9,065**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

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

6.1 VALUE ADJUSTMENTS OF HEDGED ASSETS: COMPOSITION OF HEDGED PORTFOLIOS

		Total 31/12/2022	Total 31/12/2021
1. Positive adjustments		**895**	**113,087**
1.1 of specific portfolios:		895	113,087
a) financial assets measured at amortized cost		895	113,087
b) financial assets measured at fair value through comprehensive income		-	-
1.2 comprehensive		-	-
2. Negative adjustments		**(876,122)**	**(49,427)**
2.1 of specific portfolios:		(876,122)	(49,427)
a) financial assets measured at amortized cost		(875,021)	(48,820)
b) financial assets measured at fair value through comprehensive income		(1,101)	(607)
2.2 comprehensive		-	-
	Total	**(875,227)**	**63,660**

The item refers to the negative value adjustment of macro-hedged assets and is correlated with the positive fair value of macro-hedging derivatives shown in Table 5.2 - Hedging derivatives.

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 EQUITY INVESTMENTS: INFORMATION ON INVESTMENTS

	Registered office	Operational headquarters	Type of relationship	Investment		% of votes
				Investor	% holding	
A. Joint ventures						
B. Companies subject to significant influence						
BCC Vita S.p.A.	Milan	Milan	Significant influence	Iccrea Banca S.p.A.	30.0%	30.0%
BCC Assicurazioni S.p.A.	Milan	Milan	Significant influence	Iccrea Banca S.p.A.	30.0%	30.0%
Pitagora S.p.A.	Turin	Turin	Significant influence	Iccrea Banca S.p.A.	9.9%	9.9%
Pay Holding S.p.A.	Milan	Milan	Significant influence	Iccrea Banca S.p.A.	40.0%	40.0%
Vorvel SIM S.p.A.	Milan	Milan	Significant influence	Iccrea Banca S.p.A.	20.0%	20.0%
Polo Verde Srl	Cremona	Cremona	Significant influence	Credito Padano Banca di Credito Cooperativo S.C.	25.0%	25.0%
Foro Annonario Gest Srl	Cesena	Cesena	Significant influence	Credito Cooperativo Romagnolo BCC di Cesena e Gatteo S.C.	25.0%	25.0%
Solaria Srl	Grosseto	Grosseto	Significant influence	Banca TEMA - Terre Etrusche di Valdichiana e di Maremma S.C.	40.0%	40.0%
HBenchmark Srl	Altavilla Vicentina	Altavilla Vicentina	Significant influence	Iccrea Banca S.p.A.	10.0%	10.0%
Real Estate Roma Olgiata Srl	Rome	Rome	Significant influence	Iccrea Banca S.p.A.	10.0%	10.0%
BDP Assicura Srl	Calcinaia	Calcinaia	Significant influence	Banca di Pisa e Fornacette Credito Cooperativo S.C.	10.0%	10.0%

7.2 SIGNIFICANT EQUITY INVESTMENTS: CARRYING AMOUNT, FAIR VALUE AND DIVIDENDS RECEIVED

	Carrying amount	Fair value	Dividends received
A. Joint ventures			
B. Companies subject to significant influence			
BCC Vita S.p.A.	-	-	-
BCC Assicurazioni S.p.A.	4,732	-	-
Pitagora S.p.A.	10,709	-	577
Pay Holding S.p.A.	183,814	-	-

7.3 SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Net adjustments of property, plant and equipment	Profit (loss) from continuing operations before tax	Profit (loss) from continuing operations after tax	Profit (loss) of disposal groups held for sale after tax	Profit (loss) for the period (1)	Other income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures														
B. Companies subject to significant influence														
BCC Vita S.p.A.	X	3,732,124	317,576	26,982	4,026,190	440,463	X	X	(47,222)	(33,273)	-	(33,273)	(275,459)	(308,732)
BCC Assicurazioni S.p.A.	X	54,870	57,360	888	95,569	33,386	X	X	927	385	-	385	(3,493)	(3,108)
Pitagora S.p.A.	X	604,859	35,901	501,029	64,189	145,610	X	X	7,026	4,021	-	4,021	3	4,024
Pay Holding S.p.A.	X	-	462,185	-	11,086	-	X	X	(112)	(107)	-	(107)	-	(107)

7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

	Carrying amount of investment	Total assets	Total liabilities	Total revenues	Profit (loss) from continuing operations after tax	Profit (loss) for the period (1)	Other income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Joint ventures								
B. Companies subject to significant influence	3,418	33,985	20,432	11,974	(1,081)	(1,081)	-	(1,081)

7.5 EQUITY INVESTMENTS: CHANGE FOR THE PERIOD

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**128,524**	**114,502**
B. Increases	**187,390**	**19,831**
B.1 Purchases	186,515	11,581
B.2 Writebacks	-	-
B.3 Revaluations	-	4,457
B.4 Other increases	875	3,793
C. Decreases	**95,454**	**5,809**
C.1 Sales	1,400	4,576
C.2 Impairment losses	-	-
C.3 Writedowns	93,679	1,234
C.4 Other decreases	375	-
D. Closing balance	**220,460**	**128,524**
E. Total revaluations	**31,888**	**31,888**
F. Total impairment losses	**11,336**	**11,336**

7.6 ASSESSMENTS AND SIGNIFICANT ASSUMPTIONS FOR ESTABLISHING THE EXISTENCE OF JOINT CONTROL OR SIGNIFICANT INFLUENCE

"Part A – Accounting Policies, "Section 3 – Scope and methods of consolidation" of the notes to the financial statements sets out the general criteria for the assessment and significant assumptions made in establishing whether or not we exercise joint control or significant influence over an investee company or another entity.

7.7 COMMITMENTS IN RESPECT OF INVESTMENTS IN JOINT VENTURES

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

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

As part of the reorganization of the Group's bancassurance sector, in consideration of the expiry of the partnership between Iccrea Banca and Società Cattolica di Assicurazioni S.p.A. on December 31, 2022, in accordance with the provisions of the agreements in place between the parties, Iccrea Banca notified Società Cattolica di Assicurazioni S.p.A. of its withdrawal from existing commercial agreements for insurance distribution, interrupting the automatic renewal of those accords for 2023. On October 15, 2022, Cattolica therefore exercised its put option for the transfer to the Iccrea Group of 70% of the shares held in BCC Assicurazioni and BCC Vita. Finally, Iccrea Banca consequently started the process, including seeking authorization from the supervisory authorities, for the repurchase in question, which is expected to be completed during 2023.

In relation to the above, the Group has recognized the commitment for the liability below the line, quantified on the basis of certain or estimable elements available at the reporting date, amounting to €169.8 million.

7.9 SIGNIFICANT RESTRICTIONS

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

7.10 OTHER INFORMATION

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

SECTION 8 – TECHNICAL RESERVES ATTRIBUTABLE TO REINSURERS - ITEM 80

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

SECTION 9 - PROPERTY, PLANT AND EQUIPMENT – ITEM 90

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

	Total 31/12/2022	Total 31/12/2021
1. Owned assets	**1,712,944**	**1,757,816**
a) land	308,878	301,738
b) buildings	1,174,881	1,232,239
c) movables	57,686	56,054
d) electronic systems	90,428	87,788
e) other	81,071	79,997
2. Assets acquired under finance leases	**235,888**	**238,343**
a) land	1,845	1,860
b) buildings	212,428	221,554
c) movables	1,636	112
d) electronic systems	15,767	7,248
e) other	4,212	7,569
Total	**1,948,832**	**1,996,159**
of which: obtained through enforcement of guarantees received	1,254	1,421

The rights of use acquired under leases for buildings are attributable almost entirely to the leases of properties used as branches and spaces used to host ATMs or offices.

9.2 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT COST

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level3		Level 1	Level 2	Level3
1. Owned assets	**144,909**	**-**	**1,361**	**147,887**	**137,851**	**-**	**1,361**	**148,799**
a) land	28,381	-	408	26,873	28,174	-	408	27,385
b) buildings	116,528	-	953	121,014	109,677	-	953	121,414
2. Right-of-use assets acquired under leases	**7,324**	**-**	**-**	**7,324**	**7,540**	**-**	**-**	**7,540**
a) land	-	-	-	-	-	-	-	-
b) buildings	7,324	-	-	7,324	7,540	-	-	7,540
Total	152,233	-	1,361	155,211	145,391	-	1,361	156,339
of which: obtained through enforcement of guarantees received	37,580	-	-	37,764	34,819	-	-	35,237

At December 31, 2022 the Group had granted operating leases to others for investment property, mainly buildings, in the amount of about €40 million. The leased properties are mainly for commercial and residential use.

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

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

9.4 INVESTMENT PROPERTY: COMPOSITION OF ASSETS AT FAIR VALUE

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Owned assets	**-**	**-**	**404,527**	**-**	**-**	**444,478**
a) land	-	-	907	-	-	996
b) buildings	-	-	403,620	-	-	443,482
2. Right-of-use assets acquired under leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	-	-	404,527	-	-	444,478
of which: obtained through enforcement of guarantees received	-	-	-	-	-	-

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

	Total 31/12/2022	Total 31/12/2021
1. Inventories of property, plant and equipment obtained through enforcement of guarantees received	**35,447**	**46,038**
a) land	15,114	16,702
b) buildings	15,778	21,261
c) movables	-	-
d) electronic systems	-	-
e) other	4,555	8,075
2. Other inventories of property, plant and equipment	**15,385**	**14,391**
Total	50,832	60,429
of which: measured at fair value net of selling costs	-	33

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

	Land	Buildings	Movables	Electronic plant	Other	Total
A. Opening gross balance	**303,845**	**2,311,522**	**421,615**	**393,514**	**547,139**	**3,977,635**
A.1 Total net writedown	248	857,729	365,449	298,478	459,573	1,981,476
A.2 Opening net balance	**303,598**	**1,453,793**	**56,166**	**95,036**	**87,566**	**1,996,159**
B. Increases:	**19,940**	**92,707**	**19,977**	**61,290**	**41,000**	**234,914**
B.1 Purchases	5,301	55,176	11,598	52,700	31,448	156,223
B.2 Capitalized improvement costs	-	12,212	295	497	1,625	14,629
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	67	638	X	X	X	705
B.7 Other changes	14,572	24,681	8,084	8,093	7,927	63,357
C. Decreases:	**12,815**	**159,191**	**16,821**	**50,131**	**43,283**	**282,241**
C.1 Sales	647	5,490	647	1,155	1,253	9,192
C.2 Depreciation	19	101,237	11,981	37,219	28,964	179,420
C.3 Writedowns for impairment recognized in	1,524	700	5	-	21	2,250
a) equity	-	-	-	-	-	-
b) income statement	1,524	700	5	-	21	2,250
C.4 Fair value losses recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	2,277	8,493	-	-	-	10,770
a) investment property	505	6,226	X	X	X	6,731
b) non-current assets and disposal groups held for sale	1,772	2,267	-	-	-	4,039
C.7 Other changes	8,348	43,271	4,188	11,757	13,045	80,609
D. Closing net balance	**310,723**	**1,387,309**	**59,322**	**106,195**	**85,283**	**1,948,832**
D.1 Total net writedowns	82	950,612	376,051	334,439	465,323	2,126,507
D.2 Closing gross balance	**310,805**	**2,337,921**	**435,373**	**440,634**	**550,606**	**4,075,339**
E. Measurement at cost	23,188	152,564	22,407	12,055	22,391	232,605

9.7 INVESTMENT PROPERTY: CHANGE FOR THE PERIOD

	Total	
	Land	Buildings
A. Opening balance	**29,170**	**560,699**
B. Increases:	**5,455**	**28,012**
B.1 Purchases	4,045	17,967
B.2 Capitalized improvement costs	-	242
B.3 Fair value gains	-	-
B.4 Writebacks	-	-
B.5 Positive exchange rate differences	-	-
B.6 Transfers from operating property	505	6,226
B.7 Other changes	905	3,577
C. Decreases	**5,337**	**61,239**
C.1 Sales	2,187	19,951
C.2 Depreciation	-	3,259
C.3 Fair value losses	-	23,835
C.4 Writedowns for impairment	958	3,325
C.5 Negative exchange rate differences	-	-
C.6 Transfers to:	67	862
a) operating property	67	638
b) non-current assets and disposal groups held for sale	-	224
C.7 Other changes	2,125	10,007
D. Closing balance	**29,288**	**527,472**
E. Measurement at fair value	27,281	129,291

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

	Inventories of property, plant and equipment obtained through enforcement of guarantees received					Other inventories of property, plant and equipment	Total
	Land	Buildings	Movables	Electronic plant	Other		
A. Opening balance	**16,702**	**21,261**	**-**	**-**	**8,075**	**14,391**	**60,429**
B. Increases	**135**	**2,394**	**-**	**-**	**2,138**	**1,457**	**6,124**
B.1 Purchases	120	679	-	-	1,473	-	2,272
B.2 Writebacks	-	4	-	-	665	-	669
B.3 Positive exchange rate differences	-	-	-	-	-	-	-
B.4 Other increases	16	1,711	-	-	-	1,457	3,183
C. Decreases	**1,723**	**7,877**	**-**	**-**	**5,658**	**463**	**15,721**
C.1 Sales	461	3,512	-	-	4,892	254	9,119
C.2 Writedowns for impairment	226	940	-	-	766	-	1,932
C.3 Negative exchange rate differences	-	-	-	-	-	-	-
C.4 Other decreases	1,036	3,425	-	-	-	209	4,670
D. Closing balance	**15,114**	**15,778**	**-**	**-**	**4,555**	**15,385**	**50,832**

9.9 COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

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

SECTION 10 – INTANGIBLE ASSETS – ITEM 100

10.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Total 31/12/2022		Total 31/12/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**19,689**	**X**	**21,212**
A.1.1 pertaining to the Group	X	19,689	X	21,212
A.1.2 pertaining to non-controlling interests	X	-	X	-
A.2 Other intangible assets	**147,865**	**5**	**152,910**	**5**
of which software	131,538	-	129,707	-
A.2.1 Assets carried at cost	147,865	5	152,910	5
a) internally generated intangible assets	5,641	-	5,537	-
b) other assets	142,224	5	147,373	5
A.2.2 Assets designated at fair value	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**147,865**	**19,694**	**152,910**	**21,217**

Item A.1.1 includes goodwill paid in the acquisition of bank branches by the Group banks (€4.1 million) and goodwill recognized upon first-time consolidation of certain controlling interests (€15.6 million) prior to the formation of the Mutual Banking Group.

Intangible assets mainly comprise software and licenses.

10.2 INTANGIBLE ASSETS: CHANGE FOR THE PERIOD

	Goodwill	Other intangible assets		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	
A. Opening balance	**26,819**	**5,537**	**-**	**149,929**	**5**	**182,290**
A.1 Total net writedown	5,607	-	-	2,556	-	8,163
A.2 Opening net balance	**21,212**	**5,537**	**-**	**147,373**	**5**	**174,127**
B. Increases	**-**	**1,896**	**-**	**39,864**	**-**	**41,760**
B.1 Purchases	-	84	-	39,808	-	39,892
B.2 Increases in internally generated intangible assets	X	1,812	-	1	-	1,813
B.3 Writebacks	X	-	-	-	-	-
B.4 Fair value gains recognized in	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	55	-	55
C. Decreases	**1,523**	**1,792**	**-**	**45,013**	**-**	**48,328**
C.1 Sales	-	-	-	43	-	43
C.2 Writedowns	1,523	1,789	-	44,875	-	48,187
- Amortization	X	1,644	-	44,008	-	45,652
- Impairment	1,523	145	-	867	-	2,535
+ equity	X	-	-	386	-	386
+ income statement	1,523	145	-	481	-	2,149
C.3 Fair value losses recognized in:	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	3	-	95	-	98
D. Closing net balance	**19,689**	**5,641**	**-**	**142,224**	**5**	**167,559**
D.1 Total net writedowns	2,165	-	-	7,430	-	9,595
E. Closing gross balance	**21,854**	**5,641**	**-**	**149,654**	**5**	**177,154**
F. Measurement at cost	610	-	-	115	-	725

10.3 OTHER INFORMATION

Goodwill impairment testing

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

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

The goodwill of the affiliated banks

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

Consistent with the provisions of IAS 36 and taking account of the general principles of reasonableness and demonstrability of the estimates to be used, two distinct approaches have been adopted within the Group (based on the use of a CGU represented, respectively, by the entire company or the branches that originally led to the recognition of goodwill) in order to ensure any necessary continuity in the analytical methods.

In the case of the “entire company CGU”, the dividend discount model (DDM) - excess capital variant – has been applied. It estimates the value of a company (in this case, the affiliated mutual bank) on the basis of future dividends distributable to shareholders. This method is widely used in accepted valuation practice and supported by the literature on corporate valuation techniques, with particular regard to companies operating in the financial sector.

Affiliates that adopt the “branches acquired CGU” use the discounted cash flow (“DCF”) – levered variant. It estimates the value of the economic capital of a company (“equity value”) as the sum of the present value of the cash flows distributable to shareholders that it will generate over a specified explicit period for planning projected economic/financial data and of the residual value at the end of the that period (“TV”), discounted at a rate equal to the cost of equity (“Ke”).

The assumptions underlying the valuation models used are shown below:

- the value in use of the CGUs is determined by estimating the present value of future cash flows that are expected to be generated by the CGUs themselves;
- the CGUs were assessed on a stand-alone and going-concern basis;
- the allocated capital was calculated by applying a minimum prudential CET1 requirement to the target TCR including the P2G of the Parent Company, equal to 15.08%;
- the data for BTP, Beta and MRP were acquired from market infoproviders or from publicly available information.

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

- as the risk-free rate, the yield on risk-free investments, estimated at 3.12%, equal to the average yields observed in the last 12 months on the Italian 10-year BTP:
- to calculate beta, a sample of comparable companies (in terms of business) on the basis of which the average or median beta was drawn from weekly observations over a two-year horizon;
- a market risk premium of 5.19% in line with commonly adopted valuation practice.

On the basis of these assumptions, the discount rate (Ke) used by the Bank was calculated at 9.79%.

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

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

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

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

Net of impairment adjustments for the year of €1.5 million, at December 31, 2022 the recognized goodwill of the affiliated banks totaled €4.1 million.

Goodwill of investee companies

In the measurement of the goodwill recognized in the consolidated financial statements following the acquisition of control over the investee, the CGU is represented by each of these investees.

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

The market multiples method is based on the assumption that the value of a company can be determined by drawing information from the stock exchange market for companies operating in the same sector of the company being valued ("comparable companies"). Specifically, the method involves calculating multipliers ("stock market multiples") resulting from the relationship between the value that the market attributes to comparable companies and their performance and financial indicators. The value of the company being valued is obtained by applying the identified multiples to the indicators of the company involved.

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

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

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

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

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

11.1 DEFERRED TAX ASSETS: COMPOSITION

	31/12/2022		Total	31/12/2021		Total
	IRES	IRAP		IRES	IRAP	
1) Recognized in income statement:	**1,063,555**	**124,225**	**1,187,780**	**1,261,170**	**144,704**	**1,405,874**
a) DTAs pursuant to Law 214/2011	**785,175**	**88,126**	**873,302**	**981,903**	**105,801**	**1,087,703**
Writedowns of loans to customers	769,447	88,022	857,469	878,324	100,537	978,861
Goodwill and other intangible assets at December 31, 2014	315	57	372	375	68	443
Tax losses/negative value of production pursuant to Law 214/2011	15,413	48	15,461	103,203	5,196	108,399
b) Other	**278,380**	**36,098**	**314,478**	**279,267**	**38,903**	**318,171**
Writedowns of amounts due from banks	1,436	-	1,436	3,044	-	3,044
Writedowns of loans to customers	37,337	12,853	50,190	54,305	17,623	71,928
Goodwill and other intangible assets	4,498	895	5,393	5,258	1,046	6,304
Tax losses	22,030	-	22,030	26,069	-	26,069
Writedowns of financial instruments	470	330	800	555	426	981
Writedowns from impairment of guarantees issued recognized under liabilities	56,922	20	56,942	53,614	25	53,639
Provisions for risks and charges	87,334	11,023	98,357	78,084	10,111	88,196
Costs of predominantly administrative nature	2,161	6	2,167	1,782	5	1,787
Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets	30,803	5,118	35,921	29,910	4,890	34,800
Other	35,389	5,853	41,242	26,646	4,777	31,423
2) Recognized in shareholders' equity:	**149,896**	**29,488**	**179,384**	**23,900**	**3,785**	**27,685**
a) Valuation reserves	**121,491**	**24,025**	**145,516**	**10,348**	**2,030**	**12,379**
Capital losses on financial assets measured through OCI	121,491	24,025	145,516	10,348	2,030	12,379
b) Other:	**28,405**	**5,463**	**33,868**	**13,552**	**1,755**	**15,306**
Actuarial gains/losses on provisions for employees	1,042	101	1,143	4,166	31	4,196
Other	27,363	5,362	32,725	9,386	1,724	11,110
A. Total deferred tax assets	**1,213,451**	**153,713**	**1,367,164**	**1,285,070**	**148,489**	**1,433,559**
B. Offsetting with deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**
C. Net deferred tax assets - Total item 110 b)	**1,213,451**	**153,713**	**1,367,164**	**1,285,070**	**148,489**	**1,433,559**

The DTAs referred to in Law 214/2011, equal to a total of almost €873.3 million, are mainly represented by prepaid taxes attributable to writedowns of loans to customers accounted for up to 2015 and not yet deducted, which can be converted into tax credits in the event of a net loss for the year and/or a tax loss. The DTAs referred to in Law 214/2011 on tax losses are generated by the reversal of writedowns of loans to customer and can be transformed into tax credits at the time tax returns are filed.

DTAs recognized in the income statement other than those referred to in Law 214/2011 amount to a total €314.5 million. Among these, the sub-item "Provisions for risks and charges", which amounts to €98.3 million, represents the prepaid taxes recognized in respect of provisions for risks and charges that are expected to be deducted in future years. The sub-item "Writedowns of loans to customers", equal to €50.2 million includes the deferred tax assets that can be recognized in respect of the nine-tenths of writedowns on loans to customers recognized at first-time adoption of IFRS 9, which under Law 145 of December 30, 2018 were deducted in tenths.

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

11.2 DEFERRED TAX LIABILITIES: COMPOSITION

	31/12/2022		Total	31/12/2021		Total
	IRES	IRAP		IRES	IRAP	
1) Deferred tax liabilities recognized in income statement	**11,451**	**386**	**11,837**	**7,816**	**435**	**8,252**
Writedowns of loans to customers deducted in tax return	-	-	-	-	-	-
Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets	1,381	255	1,636	1,504	285	1,790
Other	10,070	131	10,201	6,312	150	6,462
2) Deferred tax liabilities recognized in shareholders' equity	**9,523**	**1,837**	**11,361**	**23,276**	**4,522**	**27,798**
Valuation reserves						
Capital gains on financial assets measured through OCI	4,765	955	5,721	21,495	4,282	25,777
Revaluation of property	500	86	586	504	86	590
Other	4,258	796	5,054	1,277	154	1,431
A. Total deferred tax liabilities	**20,974**	**2,223**	**23,197**	**31,092**	**4,957**	**36,049**
B. Offsetting with deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Net deferred tax liabilities	**20,974**	**2,223**	**23,197**	**31,092**	**4,957**	**36,049**

The decline in deferred tax liabilities on the end of 2021 is mainly attributable to the decrease in deferred tax liabilities recognized through equity on capital gains on financial assets at FVOCI.

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**1,405,874**	**1,598,202**
2. Increases	**101,785**	**188,204**
2.1 Deferred tax assets recognized during the period	92,685	178,833
a) in respect of previous period	5,456	3,071
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	87,229	175,762
2.2 New taxes or increases in tax rates	-	5
2.3 Other increases	9,100	9,365
3. Decreases	**319,879**	**380,531**
3.1 Deferred tax assets derecognized during the period	186,133	239,105
a) reversals	182,107	237,390
b) writedowns for supervening non-recoverability	1,615	1,667
c) due to changes in accounting policies	-	-
d) other	2,411	48
3.2 Reduction in tax rates	41	3
3.3 Other decreases	133,705	141,423
a) transformation in tax credits pursuant to Law 214/2011	132,356	108,505
b) other	1,349	32,918
4. Closing balance	**1,187,780**	**1,405,874**

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**1,087,703**	**1,236,057**
2. Increases	**15,191**	**110,489**
3. Decreases	**229,593**	**258,842**
3.1 Reversals	95,718	149,188
3.2 Conversion into tax credits	132,356	108,347
a) arising from losses for the year	112,435	90,769
b) arising from tax losses	19,921	17,578
3.3 Other decreases	1,519	1,307
4. Closing balance	**873,302**	**1,087,703**

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

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**8,252**	**33,660**
2. Increases	**6,387**	**16,622**
2.1 Deferred tax liabilities recognized during the period	6,304	1,311
a) in respect of previous period	46	49
b) due to change in accounting policies	-	449
c) other	6,258	813
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	83	15,311
3. Decreases	**2,802**	**42,030**
3.1 Deferred tax liabilities derecognized during the period	2,800	41,977
a) reversals	2,477	41,413
b) due to changes in accounting policies	-	-
c) other	323	565
3.2 Reduction in tax rates	-	-
3.3 Other decreases	2	52
4. Closing balance	**11,837**	**8,252**

11.6 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**27,685**	**31,592**
2. Increases	**161,243**	**11,289**
2.1 Deferred tax assets recognized during the period	156,904	11,180
a) in respect of previous periods	84	211
b) due to change in accounting policies	-	45
c) other	156,820	10,924
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4,339	108
3. Decreases	**9,544**	**15,196**
3.1 Deferred tax assets derecognized during the period	3,970	11,587
a) reversals	360	4,000
b) writedowns for supervening non-recoverability	18	8
c) due to changes in accounting policies	-	-
d) other	3,592	7,579
3.2 Reduction in tax rates	2	-
3.3 Other decreases	5,572	3,609
4. Closing balance	**179,384**	**27,685**

11.7 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**27,798**	**64,062**
2. Increases	**3,698**	**6,935**
2.1 Deferred tax liabilities recognized during the period	3,695	6,535
a) in respect of previous periods	-	-
b) due to change in accounting policies	-	-
c) other	3,695	6,535
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3	399
3. Decreases	**20,135**	**43,199**
3.1 Deferred tax liabilities derecognized during the period	19,861	25,224
a) reversals	3,716	4,588
b) due to change in accounting policies	-	65
c) other	16,145	20,572
3.2 Reduction in tax rates	-	-
3.3 Other decreases	274	17,974
4. Closing balance	**11,361**	**27,798**

11.8 OTHER INFORMATION

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

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

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

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

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

As regards the recoverability test for prepaid IRES of the Parent Company and the other companies participating in the tax consolidation mechanism, the projections for expected profitability prepared by the competent units of the Parent Company indicate the tax consolidation mechanism will be able to absorb all recognized DTAs by 2026, even those that by definition could be carried forward indefinitely (i.e. DTAs on tax losses and the ACE) and those for which reversal is expected beyond the observation period.

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

	31/12/2022			
	IRES	IRAP	Other	Total
Current tax liabilities (-)	(45,630)	(83,648)	(1,501)	(130,779)
Payments on account (+)	34,150	31,131	1,173	66,454
Other tax receivables (+)	143,806	31,234	10,434	185,473
Tax credit pursuant to Law 214/2011 (+)	167,913	3,139	-	171,053
Withholding tax (+)	4,030	-	351	4,381
Debtor balance of item 60 a) of liabilities	**(14,230)**	**(36,402)**	**(1,488)**	**(52,120)**
Creditor balance	**318,499**	**18,258**	**11,944**	**348,701**
Balance of non-offsettable tax receivables	**27,487**	**5,021**	-	**32,509**
Creditor balance of item 110 a) of assets	**345,986**	**23,279**	**11,944**	**381,209**

SECTION 12 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES - ITEM 120 OF ASSETS AND ITEM 70 OF LIABILITIES

12.1 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE: COMPOSITION BY TYPE

	31/12/2022	31/12/2021
A. Assets held for sale		
A.1 Financial assets	146,986	645
A.2 Equity investments	-	-
A.3 Property, plant and equipment	12,305	12,742
of which obtained through enforcement of guarantees received	7,844	10,287
A.4 Intangible assets	-	2,709
A.5 Other non-current assets	-	203,467
Total A	**159,293**	**219,563**
of which carried at cost	157,667	219,563
of which measured at fair value level 1	-	-
of which measured at fair value level 2	1,624	-
of which measured at fair value level 3	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated as at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortized cost	2	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**2**	**-**
of which carried at cost	2	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Debt	-	115,644
C.2 Securities	-	-
C.3 Other liabilities	-	66,454
Total C	**-**	**182,098**
of which carried at cost	-	182,098
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	247,836	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated as at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	60	-
Total D	**247,896**	**-**

At December 31, 2022, the Group presents the loans classified as bad loans or unlikely to pay positions being transferred as part of the derisking operations undertaken by the Parent Company in 2022 (which are being completed in early months of 2023) among non-current assets held for sale, under item A.1 Financial assets.

Item D.1 shows the BCC For Web business unit, the online branch of a Group mutual bank.

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

SECTION 13 - OTHER ASSETS – ITEM 130

13.1 OTHER ASSETS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
- Shortfalls, embezzlement and robberies	1,214	1,661
- Trade receivables	52,547	40,548
- Stamp duty and other valuables	987	1,443
- Gold, silver and other precious metals	2,086	2,481
- Receivables for future premiums on derivatives	7,474	8,111
- Fees and commissions and interest to be received	26,356	13,106
- Tax receivables due from central govt. tax authorities and other tax agencies	431,133	445,845
- Receivables from social security institutions	5,681	4,929
- Tax receivables	3,150,324	1,301,994
- Receivables from employees	3,486	4,858
- Non-recurring transactions (acquisitions)	15,734	14,441
- Items in transit between branches and items being processed	478,256	308,162
- Financial liabilities in respect of loans granted for a specific transaction	8,217	3,916
- Accrued income not attributable to separate line item	7,127	14,796
- Prepaid expenses not attributable to separate line item	43,958	37,069
- Leasehold improvements	39,377	38,792
- Other (security deposits, assets not attributable to other items)	261,917	262,958
- Balance of illiquid portfolio items	931,798	89,647
Consolidation adjustments	576,819	729,468
Total	**6,044,491**	**3,324,225**

"Tax receivables" reports tax credits connected with the Revival Decree acquired by Group banks following assignment by the direct beneficiaries (the so-called Superbonus 110% program) in the amount of €3 billion.

"Items in transit between branches and items being processed" reports assets that for technical/procedural reasons will be allocated definitively in the early days of the subsequent period, such as checks, incoming bank transfers pending or items in transit between banks.

The item "Balance of illiquid portfolio items" includes differences between the value dates applied in the various accounts, which are generated during the accounting elimination of the items in respect of the crediting and debiting of portfolios under reserve and after collection, whose settlement date is after the reporting date.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – ITEM 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – DUE TO BANKS: COMPOSITION BY TYPE

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	**26,290,563**	X	X	X	**33,158,972**	X	X	X
2. Due to banks	**2,227,683**	X	X	X	**1,426,388**	X	X	X
2.1 Current accounts and demand deposits	1,779,347	X	X	X	217,542	X	X	X
2.2 Fixed term deposits	54,828	X	X	X	92,858	X	X	X
2.3 Loans	133,727	X	X	X	1,065,857	X	X	X
2.3.1 Repurchase agreements	74,767	X	X	X	999,073	X	X	X
2.3.2 Other	58,960	X	X	X	66,784	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,327	X	X	X	3,269	X	X	X
2.6 Other payables	256,454	X	X	X	46,861	X	X	X
Total	**28,518,246**	**-**	**26,101,194**	**2,140,195**	**34,585,361**	**-**	**22,358,609**	**12,805,149**

"Due to central banks" mainly represents financing from the ECB (TLTROs) maturing between March 2023 and December 2024. The decrease of €6.9 billion over the previous year is attributable to deleveraging measures undertaken during the year (partial repayment of TLTRO funding).

The increase in the item "Due to banks" mainly reflects an increase of €1.6 billion in current accounts and demand deposits, partially offset by the decrease in repurchase transactions entered into by Group banks (-€0.9 billion).

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

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	106,490,448	X	X	X	104,311,902	X	X	X
2. Fixed-term deposits	3,676,065	X	X	X	4,865,989	X	X	X
3. Loans	7,713,433	X	X	X	6,808,999	X	X	X
3.1 Repurchase agreements	6,413,024	X	X	X	5,635,000	X	X	X
3.2 Other	1,300,409	X	X	X	1,173,999	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	237,528	X	X	X	236,867	X	X	X
6. Other payables	998,273	X	X	X	1,212,291	X	X	X
Total	**119,115,747**	**1,688**	**5,588,591**	**113,383,202**	**117,436,048**	**2,591**	**5,130,975**	**111,073,205**

Amounts due to customers increased by €1.7 billion compared with December 2020, mainly reflecting the increase in balances on current accounts and demand deposits and in repurchase transactions with the Clearing and Guarantee Fund, partly offset by the decrease in funding represented by current accounts and fixed-term deposits with ordinary customers.

The sub-item "Loans-other" comprises €0.6 billion in respect of a loan from CDP.

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

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	5,433,875	3,166,482	1,926,368	-	6,617,687	3,587,834	3,039,067	-
1.1 structured	4,835	-	564	-	4,930	-	4,930	-
1.2 other	5,429,040	3,166,482	1,925,804	-	6,612,757	3,587,834	3,034,138	-
2. Other securities	3,761,707	-	3,266,389	388,150	4,688,793	-	4,215,411	542,992
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	3,761,707	-	3,266,389	388,150	4,688,793	-	4,215,411	542,992
Total	**9,195,582**	**3,166,482**	**5,192,757**	**388,150**	**11,306,480**	**3,587,834**	**7,254,478**	**542,992**

Bonds, which totaled €5.4 billion, declined by about €1.2 billion compared with the end of 2021 as securities matured during the year.

“Other securities – other” include certificates of deposit issued by Group banks.

1.4 BREAKDOWN OF SUBORDINATED DEBT/SECURITIES

	31/12/2022	31/12/2021
A.1 Subordinated debt	**-**	**-**
- banks	-	-
- customers	-	-
B.1 Subordinated securities	**766,537**	**797,191**
- banks	752,965	777,177
- customers	13,572	20,015
Total	**766,537**	**797,191**

The sub-item B.1 “Subordinated securities – banks” includes €715 million in respect of subordinated bonds issued by Iccrea Banca S.p.A. and subscribed by non-Group banks, while the remainder is represented by bonds issued by the Group mutual banks.

1.5 BREAKDOWN OF STRUCTURED DEBT

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

1.6 LEASE LIABILITIES

Right of use	Falling due within 5 years	Falling due after 5 years
Buildings	-	-
Movables	134,642	86,269
Electronic systems	624	-
Other	13,480	71
Buildings	5,740	28

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

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair Value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	3,318	3,334	-	-	3,334	48,692	48,507	198	-	48,705
2. Due to customers	1,933	1,602	-	-	1,602	330	193	1	-	194
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3. Other	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**5,251**	**4,936**	**-**	**-**	**4,936**	**49,022**	**48,701**	**199**	**-**	**48,899**
B. Derivatives										
1. Financial derivatives	X	156	231,389	-	X	X	347	79,719	508	X
1.1 Trading	X	156	231,389	-	X	X	347	79,719	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	508	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**156**	**231,389**	**-**	**X**	**X**	**347**	**79,719**	**508**	**X**
Total (A+B)	**X**	**5,093**	**231,389**	**-**	**X**	**X**	**49,048**	**79,918**	**508**	**X**

Key:
NV=nominal or notional value
L1= Level 1
L2= Level 2
L3= Level 3
* Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date

The sub-item B.1.1 "Financial derivatives – trading" includes the negative value of trading derivatives entered into almost entirely by the Parent Company.

2.2 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

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

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

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

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

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

	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees issued	-	X	X	X	X	X	X	X	X	X
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees issued	-	X	X	X	X	X	X	X	X	X
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**249**	**133**	**123**	**-**	**123**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	249	133	123	-	X
Total	**-**	**-**	**-**	**-**	**-**	**249**	**133**	**123**	**-**	**123**

Key:
NV= Nominal or notional value
L1= Level 1
L2= Level 2
L3= Level 3
* Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date

The zero balance for sub-item 3.2 "Debt securities – Other" is mainly attributable to the maturing of bonds issued by a number of affiliated banks hedged with interest rate derivatives measured in accordance with the fair value option pursuant to IFRS 9.

3.2 BREAKDOWN OF "FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE": SUBORDINATED LIABILITIES

	31/12/2022	31/12/2021
A. Financial liabilities designated as at fair value – Subordinated liabilities	**-**	**133**
A.1 Due to banks	-	-
A.2 Due to customers	-	-
A.3 Securities issued	-	133

SECTION 4 - HEDGING DERIVATIVES – ITEM 40

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

	Fair value 31/12/2022			VN	Fair value 31/12/2021			VN
	L1	L2	L3	31/12/2022	L1	L2	L3	31/12/2021
A) Financial derivatives	**159**	**350,078**	**-**	**5,999,649**	**372**	**494,895**	**-**	**10,894,543**
1) Fair value	159	176,138	-	2,165,155	372	461,916	-	10,522,914
2) Cash flows	-	173,940	-	3,834,494	-	32,979	-	371,629
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**159**	**350,078**	**-**	**5,999,649**	**372**	**494,895**	**-**	**10,894,543**

Key:
NV=Notional value
L1=Level 1
L2= Level 2
L3= Level 3

Item A. 1) includes the negative fair value of derivatives hedging securities against inflation. The decline in the negative fair value compared with the previous year is attributable to the increase in interest rates during the year, which generated gains on derivatives hedging fixed-rate securities.

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

	Fair value							Cash flows		
	Specific									
	Debt securities and interest rates	Equity securities and stock indices	Foreign currencies and	Credit	Commodities	Other	Generic	Specific	Generic	Foreign investments
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	3,061	X	X
2. Financial assets measured at amortized cost	171,479	X	166	-	X	X	X	170,879	X	X
3. Portfolio	X	X	X	X	X	X	3,636	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**171,479**	**-**	**166**	**-**	**-**	**-**	**3,636**	**173,940**	**-**	**-**
1. Financial liabilities	1,016	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**1,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

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

As indicated in Part A "Accounting policies" of these notes to the financial statements, the Group has exercised the option provided for in paragraph 7.2.21 of IFRS 9 to continue applying the provisions on hedge accounting envisaged by IAS 39.

SECTION 5 - VALUE ADJUSTMENTS OF GENERICALLY HEDGED LIABILITIES - ITEM 50

5.1 VALUE ADJUSTMENTS OF HEDGED FINANCIAL LIABILITIES

		Total 31/12/2022	Total 31/12/2021
1. Positive adjustment of financial liabilities		-	-
2. Negative adjustment of financial liabilities		821	187
	Total	821	187

SECTION 6 – TAX LIABILITIES – ITEM 60

See section 11 under assets.

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

At December 31, 2022, the Group presents liabilities of BCC For Web, the on-line branch of a Group mutual bank under liabilities associated with assets held for sale.

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

SECTION 8 - OTHER LIABILITIES – ITEM 80

8.1 OTHER LIABILITIES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
Amounts due to social security institutions and State	113,983	107,658
Trade payables	189,767	155,606
Securities to be settled	2	6,893
Amounts available to customers	995,680	846,730
Non-recurring transactions (acquisitions)	-	1,085
Liabilities for future premiums on derivatives	9,630	2,848
Tax payables due to tax authorities	489,665	467,541
Payables due to employees	178,898	183,624
Financial liabilities in respect of loans granted for a specific transaction	8,217	3,916
Guarantees issued and credit derivatives	3,822	5,199
Accrued expenses not attributable to separate line item	12,405	8,562
Deferred income not attributable to separate line item	16,819	18,062
Items in transit and items being processed	753,418	657,483
Other (failed purchase transactions, trade payables, insurance liabilities, security deposits, items not attributable to separate line item)	392,231	342,101
Balance of illiquid portfolio items	851	507,923
Dividends to be paid	83	109
Total	3,165,471	3,315,340

The item "Amounts available to customers" mainly regards pension and wage payments from other banks awaiting payment to customers by mutual banks acting as intermediaries.

The item "Items in transit and items being processed" includes liabilities that for technical or procedural reasons will be settled in the subsequent period, such as pending outward credit transfers or items in transit between banks.

The item "Tax payables due to tax authorities" reports amounts owed by the Group to these entities other than income taxes. This includes, in addition to amounts in respect of tax returns paid by mutual bank customers and withholdings made by the banks on customer transactions, tax payables accrued by the Group companies in respect of their indirect taxes, such as, for example, stamp duty, tax in lieu, tax on stock exchange contracts, VAT, local taxes, etc.

The item "Balance of illiquid portfolio items" includes differences the value dates applied in the various accounts, which are generated during the accounting elimination of the items in respect of the crediting and debiting of portfolios under reserve and after collection, whose settlement date is after the reporting date.

SECTION 9 - EMPLOYEE TERMINATION BENEFITS – ITEM 90

9.1 EMPLOYEE TERMINATION BENEFITS: CHANGE FOR THE PERIOD

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**277,528**	**295,178**
B. Increases	**10,003**	**15,543**
B.1 Provisions for the period	4,414	6,995
B.2 Other increases	5,589	8,548
C. Decreases	**61,812**	**33,192**
C.1 Benefit payments	17,836	21,787
C.2 Other decreases	43,976	11,406
D. Closing balance	**225,719**	**277,528**
Total	225,719	277,528

The table reports changes in the provision for termination benefits under the Italian severance pay mechanism (*trattamento di fine rapporto*, TFR), substantially connected with the increase in discount rates during the year. It does not report payments to external pension funds and the INPS treasury fund, which are presented in Section 8 “Other liabilities”.

The sub-item C.1 “Decreases – Benefit payments” reports uses of the termination benefit provision associated with advances granted in accordance with applicable regulations and national collective bargaining agreements and with terminations of the employment relationship.

9.2 OTHER INFORMATION

With regard to the provision for TFR benefits, service cost totaled €2.4 million, while interest cost came to €1.7 million. Net actuarial gains amounted to €31.7 million and break down as follows:

- €49.5 million of gains from change in discount rate;
- €16.8 million of losses from experience adjustments.

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

- discount rate: Euro Composite AA yield curve at December 31, 2022;
- expected rate of increase in remuneration: between 0.50% and 3.5%;
- turn-over: 2.07% average;
- mortality tables published by State Accountant General’s Office and INPS disability tables.

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

- in the case of an increase of 0.25%, the TFR provision would amount to €222 million;
- in the case of a decrease of 0.25% the TFR provision would amount to €229 million.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

		Total 31/12/2022	Total 31/12/2021
1. Provisions for credit risk in respect of commitments and financial guarantees issued		298,309	293,183
2. Provisions for other commitments and guarantees issued		-	-
3. Company pension plans		-	-
4. Other provisions for risks and charges		243,755	225,458
4.1 legal disputes		88,829	82,503
4.2 personnel expense		72,185	66,042
4.3 other		82,741	76,913
	Total	**542,064**	**518,641**

Item 1. “Provisions for credit risk in respect of commitments and financial guarantees issued” includes provisions for credit risk in respect of commitments to disburse funds and financial guarantees issued that are subject to the impairment rules of IFRS 9.

The sub-item 4.1 “legal disputes” mainly includes provisions for disputes over interest, compound interest, contract terms and banking and investment services, as well as provisions for labor disputes and legal costs for debt collection.

The main provisions recognized under sub-item 4.2 “personnel expenses” include that for the employee loyalty bonus.

The sub-item 4.3 “Other” includes, among other things, allocations to charity funds from profit for the previous year.

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGE FOR THE PERIOD

	Provisions in respect of commitments and other guarantees issued	Retirement provisions	Other provisions	Total
A. Opening balance	**-**	**-**	**225,458**	**225,458**
B. Increases	**-**	**-**	**112,913**	**112,913**
B.1 Provisions for the year	-	-	91,810	91,810
B.2 Changes due to passage of time	-	-	92	92
B.3 Changes due to changes in the discount rate	-	-	4	4
B.4 Other increases	-	-	21,007	21,007
C. Decreases	**-**	**-**	**94,616**	**94,616**
C.1 Use during the period	-	-	68,082	68,082
C.2 Changes due changes in the discount rate	-	-	384	384
C.3 Other decreases	-	-	26,150	26,149
D. Closing balance	**-**	**-**	**243,755**	**243,755**

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

	Provisions for credit risk in respect of commitments and financial guarantees issued				Total
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
Commitments to disburse funds	54,386	35,856	34,092	-	124,334
Financial guarantees issued	95,861	21,207	56,908	-	173,975
Total	**150,247**	**57,062**	**91,000**	-	**298,309**

10.4 PROVISIONS IN RESPECT OF OTHER COMMITMENTS AND GUARANTEES ISSUED

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

10.5 DEFINED-BENEFIT COMPANY PENSION PLANS

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

10.6 PROVISIONS - OTHER

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

SECTION 11 - TECHNICAL RESERVES - ITEM 110

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

SECTION 12 - REDEEMABLE SHARES - ITEM 130

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

SECTION 13 - SHAREHOLDERS' EQUITY - ITEMS 120, 130, 140, 150, 160, 170 AND 180

13.1 "SHARE CAPITAL" AND "TREASURY SHARES": COMPOSITION

As described in Part A Accounting Policies, Section 3 – Scope and methods of consolidation, pursuant to Law 145 of December 30, 2018 ("2019 Budget Act") the Parent Company, Iccrea Banca S.p.A., and the affiliated mutual banks under the Cohesion Contract represent a single consolidating entity. In the Group's shareholders' equity, share capital is therefore represented by the share capital of the Parent Company and that of the mutual banks. The intercompany portion, represented by shares of the Parent Company held by the mutual banks belonging to the Group under the provisions of the Cohesion Contract, is reported under treasury shares, as the shares were issued and subscribed by the single consolidating entity.

Share capital is represented by 27,125,759 ordinary shares with a par value of €51.65 each, for a total of €1,401,045,452.

As at the reporting date, share capital of the mutual banks belonging to the Iccrea Cooperative Banking Group amounted to €1,005,517,831 (€890,216,924 net of shares issued pursuant to Article 150-ter by nine mutual banks and subscribed by the Parent Company). In accordance with the bylaws of the mutual banks, their share capital is variable as it is composed of shares that in principle can be issued without limit.

13.2 SHARE CAPITAL – NUMBER OF SHARES OF THE PARENT COMPANY: CHANGE FOR THE PERIOD

	Ordinary	Other
A. Shares at the start of the year	**27,125,759**	**-**
- fully paid	27,125,759	-
- partially paid	-	-
A.1 Treasury shares (-)	(24,193,784)	-
A.2 Shares in circulation: opening balance	**2,931,975**	**-**
B. Increases	**-**	**-**
B.1 new issues	-	-
- for consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**(2,245,921)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	(2,245,921)	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**686,054**	**-**
D.1 Treasury shares (+)	26,439,705	-
D.2 Shares at the end of the year	27,125,759	-
- fully paid	27,125,759	-
- partially paid	-	-

13.3 SHARE CAPITAL: OTHER INFORMATION

The Group share capital of €2,291,262,376 is represented only by ordinary shares (subscribed share capital, fully paid up).

13.4 EARNINGS RESERVES: OTHER INFORMATION

Group reserves amount to a total €9.2 billion.

In particular, earning reserves amount to €9.2 billion and include, among the largest, the legal reserve in the amount of €10.8 billion as well as a negative IFRS 9 reserve of €1.6 billion.

13.5 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

The item amounts to €30 million and is represented by six Additional Tier 1 bonds issued by the mutual banks between 2016 and 2018.

During the year, Vival Banca issued an additional class 1 instrument – Additional Tier 1 consisting of no. 30 bonds with a nominal value of €100,000, for a total amount of €3 million. The issue takes the form of capital support by the Group's cross-guarantee scheme and was fully subscribed by the Parent Company using the ex-ante resources of the scheme's readily available funds.

SECTION 14 - NON-CONTROLLING INTERESTS – ITEM 190

14.1 BREAKDOWN OF ITEM 190 "NON-CONTROLLING INTERESTS"

	31/12/2022	31/12/2021
Equity investments in consolidated companies with significant non-controlling interests		
Banca Mediocredito del F.V.G. S.p.A.	-	41,534
Coopersystem Società Cooperativa	31,586	23,725
Other investments	915	942
Total	**32,501**	**66,201**

NON-CONTROLLING INTERESTS: COMPOSITION

	31/12/2022	31/12/2021
1. Share capital	3,580	58,820
2. Share premium reserve	3	3,999
3. Reserves	19,860	(1,209)
4. Treasury shares	-	-
5. Valuation reserves	1	785
6. Equity instruments	-	-
7. Gain (loss) pertaining to non-controlling interests	9,057	3,806
Total	**32,501**	**66,201**

14.2 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

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

OTHER INFORMATION

1. GUARANTEES ISSUED AND COMMITMENTS

	Nominal value of financial guarantees issued and commitments				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
Commitments to disburse funds	**20,920,034**	**1,306,785**	**172,807**	**-**	**22,399,627**	**21,525,741**
a) Central banks	-	-	-	-	-	-
b) Government entities	1,011,239	-	1,997	-	1,013,236	895,499
c) Banks	139,843	33,327	-	-	173,169	78,078
d) Other financial companies	1,066,743	207,813	2,134	-	1,276,689	390,004
e) Non-financial companies	15,876,873	810,544	149,851	-	16,837,267	16,941,705
f) Households	2,825,336	255,102	18,826	-	3,099,264	3,220,455
Financial guarantees issued	**2,817,137**	**383,292**	**78,601**	**-**	**3,279,031**	**3,298,872**
a) Central banks	-	-	-	-	-	-
b) Government entities	35,494	-	-	-	35,494	39,726
c) Banks	475,985	19,453	-	-	495,438	513,136
d) Other financial companies	27,064	45,868	387	-	73,318	49,315
e) Non-financial companies	1,958,214	216,541	71,597	-	2,246,352	2,250,713
f) Households	320,381	101,430	6,617	-	428,429	445,983

2. OTHER COMMITMENTS AND GUARANTEES ISSUED

	Nominal value	
	Total 31/12/2022	Total 31/12/2021
Other guarantees issued		
of which: impaired credit exposures	-	-
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	205	87
f) Households	-	-
Other commitments		
of which: impaired credit exposures	-	-
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	170	171
e) Non-financial companies	-	-
f) Households	-	-

3. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

	Amount 31/12/2022	Amount 31/12/2021
1. Financial assets measured at fair value through profit or loss	253,662	324,561
2. Financial assets measured at fair value through other comprehensive income	2,282,415	2,349,433
3. Financial assets measured at amortized cost	40,637,013	44,118,798
4. Property, plant and equipment	-	-
of which: property, plant and equipment classified as inventories	-	-

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

There were no such positions at December 31, 2022.

5. MANAGEMENT AND INTERMEDIATION SERVICES

	Amount 31/12/2022
1. Order execution on behalf of customers	**16,607,816**
a) Purchases	11,103,963
1. settled	11,053,325
2. not settled	50,638
b) Sales	5,503,853
1. settled	5,493,612
2. not settles	10,241
2. Asset management	**10,537,983**
a) Individual	6,433,062
b) Collective	4,104,920
3. Securities custody and administration	**341,835,200**
a) Third-party securities held as part of custodian bank services (excluding asset management)	-
1. Securities issued by consolidated companies	-
2. other securities	-
b) Other third-party securities on deposit (excluding asset management): other	107,490,425
1. Securities issued by consolidated companies	5,550,025
2. other securities	101,940,400
c) Third-party securities deposited with third parties	107,204,410
d) Securities owned by bank deposited with third parties	127,140,365
4. Other transactions	**21,082,903**

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

	Gross amount of financial assets (a)	Financial liabilities offset (b)	Net amount of financial assets reported (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	3,579,743	11,564	3,568,179	696,615	208,398	2,663,166	49,289
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**3,579,743**	**11,564**	**3,568,179**	**696,615**	**208,398**	**2,663,166**	**X**
Total 31/12/2021	**842,097**	**113,078**	**729,020**	**657,307**	**22,423**	**X**	**49,289**

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

	Gross amount of financial liabilities (a)	Financial assets offset (b)	Net amount of financial liabilities reported (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	2,034,182	11,564	2,022,618	1,041,888	180,563	800,167	766,858
2. Repurchase	11,814	-	11,814	11,814	-	-	884
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**2,045,996**	**11,564**	**2,034,432**	**1,053,702**	**180,563**	**800,167**	**X**
Total 31/12/2021	**1,692,559**	**113,078**	**1,579,482**	**387,516**	**424,224**	**X**	**767,741**

8. SECURITIES LENDING TRANSACTIONS

No information to report.

9. DISCLOSURES ON JOINT ARRANGEMENTS

No information to report.

PART C - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1 - INTEREST -ITEMS 10 AND 20

1.1 INTEREST AND SIMILAR INCOME: COMPOSITION

	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial assets measured at fair value through profit or loss	**9,638**	**3,153**	**-**	**12,791**	**14,383**
1.1 Financial assets held for trading	746	-	-	746	1,078
1.2 Financial assets designated at fair value	2,017	57	-	2,074	2,393
1.3 Other financial assets mandatorily at fair value	6,875	3,096	-	9,971	10,912
2. Financial assets measured at fair value through other comprehensive income	**133,193**	**-**	**X**	**133,193**	**47,496**
3. Financial assets measured at amortized cost	**1,798,453**	**2,496,310**	**-**	**4,294,763**	**2,962,930**
3.1 Due from banks	19,435	22,296	X	41,731	17,291
3.2 Loans to customers	1,779,017	2,474,014	X	4,253,031	2,945,639
4. Hedging derivatives	**X**	**X**	**(616,146)**	**(616,146)**	**(221,628)**
5. Other assets	**X**	**X**	**94,044**	**94,044**	**16,587**
6. Financial liabilities	**X**	**X**	**X**	**193,691**	**344,385**
Total	1,941,284	2,499,463	(522,102)	4,112,336	3,164,153
of which: interest income on impaired financial assets	7	136,016	-	136,023	160,705
of which: interest income on finance leases	X	130,547	X	130,547	127,651

Interest on loans to customers include interest income in respect of loans to customers of €2.5 billion, up for about €260 million compared to the end of the previous year, mainly on loans to households and non-financial companies.

Interest income on debt securities came to €1.9 billion and mainly includes interest on securities issued by government entities. The amount represents a significant increase on the €805.2 million posted at December 31, 2021, mainly reflecting the improved performance of BTPi associated with the increase in inflation.

“Hedging derivatives” include differences on hedging derivatives adjusting interest income on the hedged financial instruments, securities and loans. The increase in the negative balance of the differences is associated with the increase in interest income on the hedged instruments.

The amount reported under “Other assets” regards interest income on tax credits associated with government tax incentive programs established in 2020 in response to the COVID-19 pandemic (the “ecobonus” building renovation program).

The item “Financial liabilities” includes interest on funding operations at negative interest rates (TLTRO). The decrease on the previous year reflects partial repayments of TLTRO funding and the decline in rates during the year.

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 INTEREST INCOME ON FOREIGN-CURRENCY FINANCIAL ASSETS

Interest received on financial assets in foreign currency totals approximately €9.9 million and mainly regards current accounts and deposits (€5.8 million) and other financing (€3.2 million).

1.3 INTEREST AND SIMILAR EXPENSE: COMPOSITION

	Debt	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial liabilities measured at amortized cost	**(212,198)**	**(160,640)**	**X**	**(372,838)**	**(356,352)**
1.1 Due to central banks	(538)	X	X	(538)	(747)
1.2 Due to banks	(28,465)	X	X	(28,465)	(7,101)
1.3 Due to customers	(183,195)	X	X	(183,195)	(177,361)
1.4 Securities issued	X	(160,639)	X	(160,639)	(171,142)
2. Financial liabilities held for trading	**-**	**-**	**(52)**	**(52)**	**(263)**
3. Financial liabilities designated at fair value	**-**	**(1)**	**(47)**	**(49)**	**(103)**
4. Other liabilities and provisions	**X**	**X**	**(1,906)**	**(1,906)**	**(1,497)**
5. Hedging derivatives	**X**	**X**	**1,375**	**1,375**	**(176)**
6. Financial assets	**X**	**X**	**X**	**(45,182)**	**(45,030)**
Total	(212,198)	(160,640)	(630)	(418,650)	(403,422)
of which: interest expense on finance leases	(9,186)	X	X	(9,186)	(9,311)

The item 1.4 “Securities issued” regards interest expense accrued in the period on bonds and certificates of deposit measured at amortized cost. The slight decline on 2021 is connected with the decrease in funding using those instruments.

The item 6. “Financial assets” includes interest on investment transactions at negative interest rates.

1.4 INTEREST AND SIMILAR EXPENSE: OTHER INFORMATION

1.4.1 INTEREST EXPENSE ON FOREIGN-CURRENCY LIABILITIES

Interest expense incurred by the Group on foreign-currency liabilities amounted to €1.2 million and is essentially accounted for by current accounts and deposits.

1.5 DIFFERENCES ON HEDGING TRANSACTIONS

	Total 31/12/2022	Total 31/12/2021
A. Positive differences on hedging transactions:	3,792	1,975
B. Negative differences on hedging transactions:	(618,563)	(223,779)
C. Balance (A-B)	(614,771)	(221,804)

SECTION 2 - FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 FEE AND COMMISSION INCOME: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	81,183	77,622
1. Securities placement	21,211	27,859
1.1 With underwriting and/or with irrevocable commitment	-	489
1.2 Without irrevocable commitment	21,211	27,370
2. Order receipt and transmission and order execution for customers	27,164	19,104
2.1 Order receipt and transmission for one or more financial instruments	24,797	15,895
2.2 Order execution for customers	2,367	3,210
3. Other fees and commissions connected with financial instruments	32,808	30,659
of which: trading on own account	749	776
of which: individual portfolio management	32,059	29,883
b) Corporate finance	373	2,600
1. Merger and acquisition advisory services	-	-
2. Treasury services	-	-
3. Other fees and commissions connected with corporate finance services	373	2,600
c) Investment advisory services	2,971	2,274
d) Clearing and settlement	-	-
e) Collective portfolio management	51,349	66,423
f) Custody and administration	7,307	7,838
1. Depository bank	-	-
2. Other fees and commissions connected with custody and administration services	7,307	7,838
g) Central administrative services for collective portfolio management	-	-
h) Trustee services	-	-
i) Payment services	1,020,206	958,027
1. Current accounts	547,460	532,651
2. Credit cards	40,761	2,573
3. Debit cards and other payment cards	229,825	228,001
4. Credit transfers and other payment orders	164,829	148,020
5. Other fees and commissions connected with payment services	37,331	46,783
j) Distribution of third-party services	266,536	237,970
1. Collective portfolio management	153	171
2. Insurance products	119,957	111,441
3. Other products	146,426	126,358
of which: individual portfolio management	5,317	5,832
k) Structured finance	-	-
l) Securitization servicing	2,068	2,393
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	24,673	24,414
of which: credit derivatives	-	-
o) Lending transactions	15,306	16,645
of which: for factoring transactions	5,532	4,933
p) Currency trading	5,791	5,672
q) Goods	-	-
r) Other fee and commission income	77,121	65,071
of which: for management of multilateral trading facilities	-	-
of which: for management of organized trading facilities	-	-
Total	1,554,884	1,466,950

The composition of fee and commission income, totaling €1.6 billion, an increase of about €92 million on December 31, 2021, which is also attributable to the general recovery in the economy following the pandemic, reflects the operations of the Group's mutual banks, which are typically composed of customer current accounts (€547.5 million), other payment services (€472.7 million) and distribution of third-party products and services (€266.5 million, including insurance products for €120 million).

Fees and commissions concerning item e) collective portfolio management came to €51.3 million and regard asset management activities, which are exclusively performed by the Group asset management company. These were accompanied by management fees on individual portfolios of €32.1 million.

The following table provides disclosures on the breakdown by business segment of revenues from contracts with customers, as required under IFRS 15, paragraphs 114 and 115.

€/thousands	CORPORATE	ISTITUZIONALE	RETAIL	MUTUAL BANKS	INTER-SEGMENT TRANSACTIONS	TOTAL
Guarantees issued	61	3,083	-	23,711	(2,182)	24,673
Management, intermediation and advisory services	-	22,927	77,826	173,729	(131,299)	143,183
Holding and management of current accounts	15	303	90	547,154	(102)	547,460
Collection and payment services	31	369,360	238	461,681	(358,545)	472,766
Distribution of third-party products	7,828	4,014	136,309	189,448	(71,111)	266,489
Other services	6,721	48,487	1,371	80,263	(36,529)	100,313
Fee and commission income	**14,656**	**448,175**	**215,834**	**1,475,986**	**(599,769)**	**1,554,883**

As regards the other disclosures required under IFRS 15, the main types of revenues from contracts with customers are recognized as follows:

- fees and commissions from the management of individual and collective portfolios are mainly recognized “over time”;
- fees and commissions from securities placement are recognized “at a point in time”;
- fees and commissions from order collections and transmission are mainly recognized “at a point in time”;
- fees from the distribution of third-party products are typically recognized “at a point in time”;
- fees and commissions from collection and payment services are recognized “at a point in time”;
- fees and commissions from holding and managing current accounts and other services are recognized “at a point in time” or “over time”, depending on the specific nature of the fees and commissions.

2.2 FEE AND COMMISSION EXPENSE: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	(5,442)	(8,607)
of which: trading in financial instruments	(1,883)	(708)
of which: placement of financial instruments	(147)	(3,655)
of which: individual portfolio management	(3,412)	(4,384)
- Own	(3,092)	(3,585)
- Delegated to third parties	(320)	(799)
b) Clearing and settlement	(1,872)	(1,389)
c) Collection portfolio management	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(3,013)	(5,326)
e) Collection and payment services	(177,672)	(140,979)
of which: credit cards, debit cards and other payment cards	(165,953)	(131,071)
f) Securitization servicing	(3,496)	(2,309)
g) Commitments to receive funds	-	-
h) Financial guarantees received	(2,206)	(1,142)
of which: credit derivatives	-	-
i) Off-premises marketing of financial instruments, products and services	-	-
l) Currency trading	(592)	(534)
m) Other fee and commission expense	(22,242)	(15,044)
Total	**(216,535)**	**(175,331)**

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES – ITEM 70

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	44	393	94	230
B. Other financial assets mandatorily measured at fair value	1,964	1,213	1,684	683
C. Financial assets measured at fair value through other comprehensive income	20,268	-	10,993	-
D. Equity investments	470	-	525	-
Total	**22,746**	**1,606**	**13,297**	**913**

The main components of this item include dividends received on the interest held in the Bank of Italy in the amount of €17.4 million, classified under financial assets measured at fair value through other comprehensive income.

SECTION 4 - NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

4.1 NET GAIN (LOSS) ON TRADING ACTIVITIES: COMPOSITION

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gain (loss) (A+B) – (C+D)
1. Financial assets held for trading	**200**	**38,414**	**(950)**	**(33,475)**	**4,189**
1.1 Debt securities	112	12,171	(522)	(3,960)	7,800
1.2 Equity securities	69	620	(236)	(658)	(205)
1.3 Units in collective investment undertakings	19	214	(186)	(232)	(185)
1.4 Loans	-	-	(7)	-	(7)
1.5 Other	-	25,409	-	(28,624)	(3,215)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**(147,476)**
4. Derivatives	**174,242**	**131,628**	**(99,659)**	**(162,059)**	**208,394**
4.1 Financial derivatives:	174,242	131,628	(99,659)	(162,059)	208,394
- on debt securities and interest rates	171,579	131,607	(99,166)	(159,669)	44,351
- on equity securities and equity indices	2,663	21	(493)	(2,390)	(199)
- on foreign currencies and gold	X	X	X	X	164,242
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with fair value option	X	X	X	X	-
Total	**174,442**	**170,043**	**(100,609)**	**(195,534)**	**65,106**

The net gain (loss) on “Financial assets and liabilities: foreign exchange differences” reports the balance of changes in the value of financial assets and liabilities denominated in foreign currencies, regardless of the accounting portfolio in which they are recognized, which correlate with the amount reported under “Financial derivatives on foreign currencies and gold”.

SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A. Gain on:		
A.1 Fair value hedges	2,728,642	355,067
A.2 Hedged financial assets (fair value)	8,967	188,831
A.3 Hedged financial liabilities (fair value)	4,139	2,309
A.4 Cash flow hedges	134	4,382
A.5 Assets and liabilities in foreign currencies	-	294
Total income on hedging activities (A)	**2,741,882**	**550,883**
B. Loss on:		
B.1 Fair value hedges	(48,195)	(227,004)
B.2 Hedged financial assets (fair value)	(2,694,176)	(305,529)
B.3 Hedged financial liabilities (fair value)	(180)	(374)
B.4 Cash flow hedges	(547)	(1,500)
B.5 Assets and liabilities in foreign currencies	-	(3,082)
Total expense on hedging activities (B)	**(2,743,098)**	**(537,489)**
C. Net gain (loss) on hedging activities (A - B)	**(1,216)**	**13,394**
of which: net gain (loss) of hedges of net positions	-	-

As indicated in Part A "Accounting policies" of these notes to the financial statements, for the purposes of accounting for the results of hedging, the Group has exercised the option provided for in paragraph 7.2.21 of IFRS 9 to continue applying the provisions on hedge accounting envisaged by IAS 39.

SECTION 6 - GAIN (LOSS) ON DISPOSAL OR REPURCHASE – ITEM 100

6.1 GAIN (LOSS) ON DISPOSAL OR REPURCHASE: COMPOSITION

	Total 31/12/2022			Total 31/12/2021		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets measured at amortized cost	311,912	(202,503)	109,409	509,504	(156,633)	352,871
1.1 Due from banks	1,037	(92)	945	3,243	(308)	2,935
1.2 Loans to customers	310,875	(202,410)	108,464	506,261	(156,325)	349,936
2. Financial assets measured at fair value through other comprehensive income	43,858	(112,589)	(68,731)	97,085	(16,773)	80,313
2.1 Debt securities	43,858	(112,589)	(68,731)	97,085	(16,773)	80,313
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**355,770**	**(315,092)**	**40,678**	**606,589**	**(173,406)**	**433,184**
Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	817	(343)	474	612	(4,582)	(3,969)
Total liabilities (B)	**817**	**(343)**	**474**	**612**	**(4,582)**	**(3,969)**

This reports the positive or negative balances between the gains and losses realized with the sale of financial assets or repurchase of financial liabilities other than those held for trading or designated as at fair value.

The gain (loss) on disposal amounts to about €41.2 million and is mainly attributable to the disposal of debt securities measured at amortized cost and assets measured at FV through other comprehensive income (net €24 million, down from 2021) and the disposal of loans by banks of the Group (€16.8 million).

SECTION 7 - NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.1 NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF FINANCIAL ASSETS AND LIABILITIES DESIGNATED AS AT FAIR VALUE

	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**3,084**	**24**	**(18,338)**	**(258)**	**(15,488)**
1.1 Debt securities	2,821	24	(17,778)	(258)	(15,191)
1.2 Loans	263	-	(560)	-	(297)
2. Financial liabilities	**-**	**-**	**-**	**-**	**-**
2.1 Securities issued	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	**3,084**	**24**	**(18,338)**	**(258)**	**(15,488)**

The net gain for the item includes €15.2 million in respect of securities in which the liquidity of the Guarantee Scheme is invested.

7.2 NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE

	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**15,686**	**5,138**	**(57,661)**	**(6,102)**	**(42,939)**
1.1 Debt securities	1,754	408	(6,753)	(803)	(5,394)
1.2 Equity securities	4,928	3,080	(19,780)	(3,011)	(14,783)
1.3 Units in collective investment undertakings	2,558	1,607	(23,431)	(2,236)	(21,502)
1.4 Loans	6,446	43	(7,697)	(52)	(1,261)
2. Financial assets: foreign exchange rate differences	**X**	**X**	**X**	**X**	**85**
Total	**15,686**	**5,138**	**(57,661)**	**(6,102)**	**(42,854)**

Item 1.2 Equity securities includes the capital losses realized on a number of equity securities, including Nexi in the amount of €8.8 million.

SECTION 8 - NET LOSSES/RECOVERIES FOR CREDIT RISK – ITEM 130

8.1 NET LOSSES/RECOVERIES FOR CREDIT RISK IN RESPECT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST: COMPOSITION

	Losses (1)						Recoveries (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Writeoffs	Other	Writeoffs	Other						
A. Due from banks	**(1,931)**	**(1,610)**	**-**	**(187)**	**-**	**-**	**5,622**	**3,218**	**-**	**-**	**5,113**	**(1,490)**
- loans	(1,141)	(45)	-	(187)	-	-	4,818	1,410	-	-	4,855	651
- debt securities	(790)	(1,564)	-	-	-	-	804	1,808	-	-	258	(2,141)
B. Loans to customers	**(372,599)**	**(151,649)**	**(144,039)**	**(1,319,992)**	**(12)**	**(361)**	**450,474**	**215,865**	**842,447**	**931**	**(478,935)**	**(1,184,692)**
- loans	(368,621)	(146,091)	(144,039)	(1,319,743)	(12)	(361)	447,695	209,025	842,368	931	(478,848)	(1,175,485)
- debt securities	(3,977)	(5,558)	-	(249)	-	-	2,779	6,840	78	-	(86)	(9,208)
Total	**(374,529)**	**(153,259)**	**(144,039)**	**(1,320,179)**	**(12)**	**(361)**	**456,096**	**219,083**	**842,447**	**931**	**(473,822)**	**(1,186,182)**

The value adjustments reported in the “Stage 1” and “Stage 2” columns regard collective writedowns on performing loans.

The value adjustments in the “Stage 3 - Other” column regard analytical writedowns of impaired past-due loans and those classified as unlikely to pay and bad loans, while those reported in the “Stage 3 - Writeoffs” column reflect extinguishing events, with the losses recognized following the definitive derecognition of the financial instruments.

At December 31, 2022, net losses for credit risk in respect of loans to customers came to €478.8 million, down from 2021 both in relation to the evolution of the models for measuring the credit risk parameters for performing positions and to the robust monitoring of non-performing positions implemented by the Group since its establishment, with a coverage ratio for those positions of 67.8%.

8.1A NET LOSSES/RECOVERIES FOR CREDIT RISK IN RESPECT OF LOANS MEASURED AT AMORTIZED COST INVOLVED IN COVID-19 SUPPORT MEASURES: COMPOSITION

	Net writeoffs						Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired			
			Writeoffs	Other	Writeoffs	Other		
1. Loans subject to forbearance measures compliant with guidelines	(1,207)	(10,645)	-	(5,724)	-	-	(17,576)	(64,760)
2. Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	7	-	-	-	-	-	7	(41)
3. Loans subject to other forbearance measures	559	5,324	(3)	(14,567)	-	-	(8,687)	(13,378)
4. New loans	(9,516)	(2,239)	-	(49,352)	-	-	(61,106)	(21,430)
Total 31/12/2022	**(10,157)**	**(7,560)**	**(3)**	**(69,642)**	**-**	**-**	**(87,362)**	**(99,608)**
Total 31/12/2021	**(9,392)**	**(30,747)**	**(14)**	**(59,456)**	**-**	**-**	**(99,608)**	**-**

The table reports net writeoffs for loans subject to moratoriums or other forbearance measures outstanding at the reporting date, or which represent new liquidity granted through public guarantee mechanisms.

8.2 NET LOSSES FOR CREDIT RISK IN RESPECT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

	Losses (1)						Recoveries (2)				Total 31/12/2022	Total 31/12/2021
			Stage 3		Purchased or originated credit-impaired							
	Stage 1	Stage 2	Writeoffs	Other	Writeoffs	Other	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. Debt securities	(1,098)	(3,497)	-	-	-	-	449	1,286	-	-	(2,860)	(5,537)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(1,098)**	**(3,497)**	**-**	**-**	**-**	**-**	**449**	**1,286**	**-**	**-**	**(2,860)**	**(5,537)**

8.2.A NET LOSSES FOR CREDIT RISK IN RESPECT OF LOANS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVOLVED IN COVID-19 SUPPORT MEASURES: COMPOSITION

The Group has not granted loans measured at fair value through other comprehensive income.

SECTION 9 - GAINS (LOSSES) FROM CONTRACT MODIFICATIONS WITHOUT DERECOGNITION – ITEM 140

9.1 GAINS (LOSSES) FROM CONTRACT MODIFICATIONS: COMPOSITION

The item, a negative €2.1 million (in line with December 31, 2021), includes the impact of modifications of medium/long-term loan contracts with customers that, in compliance with IFRS 9, do not produce the derecognition of the assets but rather involve the recognition in profit or loss of the changes in the contractual cash flows.

The amounts to not include the impact of contract modifications on expected losses, which is recognized under item 130 – Net losses/recoveries for credit risk.

SECTION 10 - NET PREMIUMS - ITEM 160

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

SECTION 11 - NET OTHER INCOME (EXPENSE) FROM INSURANCE ACTIVITIES - ITEM 170

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

SECTION 12 - ADMINISTRATIVE EXPENSES – ITEM 190

12.1 PERSONNEL EXPENSES: COMPOSITION

		Total 31/12/2022	Total 31/12/2021
1) Employees		(1,736,091)	(1,639,967)
a) wages and salaries		(1,186,019)	(1,131,944)
b) social security contributions		(291,878)	(278,521)
c) termination benefits		(31,750)	(44,584)
d) pension expenditure		(7)	(1)
e) allocation to employee termination benefit provision		(13,257)	(9,408)
f) allocation to provision for post-employment benefits and similar obligations:		-	-
- defined contribution		-	-
- defined benefit		-	-
g) payments to external pension funds:		(92,799)	(76,367)
- defined contribution		(92,625)	(76,086)
- defined benefit		(174)	(281)
h) costs from share-based payment plans		-	-
i) other employee benefits		(120,381)	(99,143)
2) Other personnel		(17,911)	(16,561)
3) Board of Directors and members of Board of Auditors		(50,512)	(49,770)
4) Retired personnel		-	-
	Total	(1,804,514)	(1,706,298)

Group personnel expenses totaled €1.8 billion, up from the end of the previous year, mainly in relation to the renewal of the national collective bargaining agreement in June 2022 and the increase in “Other employee benefits”, For more details, please see table 12.4 below.

Item 1) g) “payments to external pension funds: - defined contribution” includes the employee TFR fund provisioned and transferred to the national pension fund for the industry.

12.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

	Total 31/12/2022	Total 31/12/2021
Employees:	**21,117**	**21,336**
a) senior management	371	395
b) middle management	6,202	6,113
c) other employees	14,544	14,828
Other personnel	**326**	**277**
Total	21,443	21,613

12.3 DEFINED-BENEFIT COMPANY PENSION PLANS: TOTAL COSTS AND REVENUES

At the reporting date, the company had no defined-benefit pension plans, with no associated costs or revenues.

12.4 OTHER EMPLOYEE BENEFITS

	Total 31/12/2022	Total 31/12/2021
Early termination incentives and income support fund	(30,342)	(16,209)
Lunch vouchers	(29,208)	(31,029)
Insurance policies	(8,165)	(8,465)
Medical checkups	(817)	(380)
Training	(5,831)	(4,760)
Long-service bonuses	943	(11,962)
Other benefits	(46,961)	(26,338)
Total	**(120,381)**	**(99,143)**

The item includes, among others, charges for early termination incentives and the income support fund in the amount of €30.3 million, lunch vouchers in the amount of €29.2 million and insurance policies for employees in the amount of €8.2 million.

The decrease “Long-service bonuses” reflects the increase in the discount rate used in the actuarial calculation.

“Other benefits”, up on previous year, include spending connected with the extraordinary initiative of the Group to counter the impact of rising prices (fuel vouchers and shopping vouchers).

12.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
Information technology	(194,320)	(191,584)
Property and movables	(83,604)	(86,790)
- rental and fees	(11,178)	(10,917)
- ordinary maintenance	(64,127)	(65,922)
- security	(8,299)	(9,952)
Goods and services	(202,266)	(163,258)
- telephone and data transmission	(68,843)	(66,241)
- postal	(22,938)	(18,510)
- asset transport and counting	(18,864)	(19,198)
- electricity, heating and water	(61,956)	(34,475)
- transportation and travel	(15,044)	(12,222)
- office supplies and printed materials	(11,935)	(10,065)
- subscriptions, magazines and newspapers	(2,686)	(2,547)
Professional services	(180,837)	(187,519)
- professional fees (other than audit fees)	(80,038)	(83,394)
- audit fees	(6,609)	(6,203)
- legal and notary costs	(58,581)	(60,376)
- court costs, information and title searches	(35,609)	(37,546)
Administrative services	(39,252)	(41,158)
Insurance	(23,942)	(23,778)
Promotional, advertising and entertainment expenses	(52,868)	(34,942)
Association dues	(27,178)	(27,451)
Donations	(5,976)	(4,145)
Other	(38,407)	(48,813)
Indirect taxes and duties	(400,587)	(402,484)
Total	**(1,249,237)**	**(1,211,920)**

Other administrative expenses totaled €1,249 million and are essentially unchanged with the previous year. The slight increase is mainly attributable to the increase in costs for electricity, heating and water and, to a lesser extent, the increase in promotional-advertising spending and entertainment expenses.

Indirect tax and duties include the contribution to the Single Resolution Fund (BRRD), the contribution to the National Resolution Fund for bank crises and the contribution to the Deposit Guarantee Fund for a total amount of about €147 million.

Pursuant to Article 2427, paragraph 16-bis of the Italian Civil Code, we set out below the fees paid in 2022 to the audit firm Mazars Italia S.p.A., by the Iccrea Group companies:

- statutory audit of the annual accounts (including the auditing of the interim financial statements and certification of quarterly profit) for €0.7 million;
- other audit-related services (DCNF, MIFID II/MIFIR, GACS, Comfort Letter) for €0.3 million.

Moreover, we set out below audit fees paid to the audit firm EY S.p.A. engaged to conduct the statutory audit of the financial statements of the affiliated banks and a number of Group companies other than the Parent Company:

- statutory audit of the annual accounts (including limited audit of the three month and half-year reporting package for €2.8 million;
- other audit-related services (FNG, signing of tax returns, asseverations) for €1.2 million.

These amounts are reported net of VAT, CONSOB fees and expenses.

SECTION 13 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 200

This section provides details of the provisions and write-backs relating to the following categories of provisions for risks and charges:

- provisions for credit risk in respect of commitments to disburse funds and financial guarantees issued falling within the scope of IFRS 9;
- other provisions for risks and charges.

13.1 PROVISIONS FOR CREDIT RISK IN RESPECT OF COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: COMPOSITION

	31/12/2022		
	Provisions	Reallocations of excesses	Total
Commitments to disburse funds Stage 1	(48,836)	44,336	(4,500)
Commitments to disburse funds Stage 2	(23,660)	11,517	(12,143)
Commitments to disburse funds Stage 3	(28,659)	12,486	(16,173)
Financial guarantees issued Stage 1	(12,745)	26,610	13,865
Financial guarantees issued Stage 2	(11,274)	14,492	3,218
Financial guarantees issued Stage 3	(17,845)	17,993	148
Total	**(143,019)**	**127,434**	**(15,585)**

The item includes net provisions in respect of commitments to disburse funds assumed by the Group banks in respect of the Deposit Guarantee Fund and the Temporary Fund.

13.2 NET PROVISIONS IN RESPECT OF OTHER COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: COMPOSITION

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

13.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: COMPOSITION

	31/12/2022		
	Provisions	Reallocations of excesses	Total
Legal disputes	(28,956)	10,963	(17,993)
Other	(15,340)	4,965	(10,375)
Total	**(44,296)**	**15,928**	**(28,368)**

SECTION 14 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 210

14.1 NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment				
1 Operating assets	(179,420)	(2,249)	-	(181,669)
- Owned	(119,366)	(2,249)	-	(121,615)
- Right-of-use assets in respect of leases	(60,054)	-	-	(60,054)
2 Investment property	(3,259)	(4,283)	-	(7,542)
- Owned	(3,259)	(4,283)	-	(7,542)
- Right-of-use assets in respect of leases	-	-	-	-
3 Inventories	X	(1,932)	669	(1,263)
B. Assets held for sale	**X**	**(37)**	**-**	**(37)**
Total	**(182,679)**	**(8,501)**	**669**	**(190,511)**

SECTION 15 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 220

15.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets				
of which: software	(38,500)	-	-	(38,500)
1 Owned	(45,653)	(625)	-	(46,278)
- generated internally by the Bank	(1,644)	(145)	-	(1,789)
- other	(44,009)	(481)	-	(44,490)
2 Acquired under finance leases	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	**(45,653)**	**(625)**	**-**	**(46,278)**

SECTION 16 - OTHER OPERATING EXPENSES/INCOME - ITEM 230

16.1 OTHER OPERATING EXPENSES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
Charges connected with lease services (consultants, insurance, taxes and duties, capital losses)	(27,635)	(28,073)
Reductions in assets and prior-year expenses not attributable to separate line item	(27,488)	(14,110)
Costs of outsourced services	(36)	(92)
Settlement of disputes and claims	(289)	(1,654)
Amortization of expenditure for leasehold improvements	(10,146)	(10,273)
Other expense	(28,229)	(18,399)
Total	**(93,823)**	**(72,601)**

16.2 OTHER OPERATING INCOME: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A) Cost recovery	**269,538**	**279,032**
Recovery of taxes	213,354	221,313
Recovery of sundry charges	24,405	23,982
Insurance premiums	2,918	2,773
Recovery of costs from customers	11,180	10,164
Recovery of costs on bad loans	17,681	20,800
B) Other income	**137,671**	**115,147**
Insourcing revenues	14,379	3,067
Property rental income	4,760	4,465
Reductions in liabilities and prior-year income not attributable to separate line item	28,541	28,395
Other income from finance leases	16,940	15,877
Other income	61,086	49,461
Accelerated processing fees	10,742	9,971
Consolidation adjustments	1,223	3,911
Total	**407,209**	**394,179**

The recovery of taxes and duties (stamp duty and tax in lieu), totaling €213.4 million, mainly regard current accounts, credit cards, savings passbooks and certificates of deposit.

SECTION 17 - PROFIT (LOSS) FROM EQUITY INVESTMENTS - ITEM 250

17.1 PROFIT (LOSS) FROM EQUITY INVESTMENTS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1) Joint ventures		
A. Gains	-	-
1. Revaluations	-	-
2. Gains on disposals	-	-
3. Writebacks	-	-
4. Other income	-	-
B. Losses	-	-
1. Writedowns	-	-
2. Impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**-**	**-**
2) Entities under significant influence		
A. Gains	3,845	19,264
1. Revaluations	3,845	4,922
2. Gains on disposals	-	14,342
3. Writebacks	-	-
4. Other income	-	-
B. Losses	(10,230)	-
1. Writedowns	(9,982)	-
2. Impairment	(248)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit (loss)	**(6,385)**	**19,264**
Total	**(6,385)**	**19,264**

The item reports the financial impact of the equity measurement of investments in associates. The item at December 31, 2021 included the gain recognized on the sale of the investment in Satispay.

SECTION 18 - NET ADJUSTMENT TO FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS - ITEM 260

18.1 NET ADJUSTMENT TO FAIR VALUE (OR REVALUED AMOUNT) OR ESTIMATED REALIZABLE VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS: COMPOSITION

	Revaluations (a)	Writedowns (b)	Exchange rate differences		Net result (a-b+c-d)
			Positive (c)	Negative (d)	
A. Property, plant and equipment	**-**	**(23,835)**	**-**	**-**	**(23,835)**
A.1 Operating assets:	-	-	-	-	-
- Owned	-	-	-	-	-
- Acquired under finance leases	-	-	-	-	-
A.2 Investment property:	-	(23,835)	-	-	(23,835)
- Owned	-	(23,835)	-	-	(23,835)
- Acquired under finance leases	-	-	-	-	-
A.3 Inventories	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-
- Internally generated	-	-	-	-	-
- Other	-	-	-	-	-
B.2 Acquired under finance leases	-	-	-	-	-
Total	**-**	**(23,835)**	**-**	**-**	**(23,835)**

The item reports gains/losses on the measurement of the properties contributed to consolidated real estate funds.

SECTION 19 - GOODWILL IMPAIRMENT - ITEM 270

19.1 GOODWILL IMPAIRMENT: COMPOSITION

The item includes the impairment of goodwill recorded by the Group mutual banks before the establishment of the Group on the occasion of business combinations (mergers/acquisitions of branches). In 2022, impairment losses totaled €1.5 million.

For further information on the assessment of the recoverability of goodwill, please see Part B - Section 10.3 - Other information of these notes to the financial statements.

SECTION 20 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 280

20.1 GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A. Property	(849)	450
- Gains on disposal	772	1,808
- Losses on disposal	(1,621)	(1,359)
B. Other assets	(1,231)	(365)
- Gains on disposal	268	836
- Losses on disposal	(1,499)	(1,201)
Net gain (loss)	**(2,080)**	**85**

SECTION 21 - INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 300

21.1 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1. Current taxes (-)	(126,485)	(31,994)
2. Change in current taxes from previous period (+/-)	4,421	25,010
3. Reduction of current taxes for the period (+)	2,778	14,005
3.bis Reduction of current taxes for the period for tax credits under Law 214/2011 (+)	132,351	97,294
4. Change in deferred tax assets (+/-)	(224,671)	(150,450)
5. Change in deferred tax liabilities (+/-)	(3,331)	43,796
6. Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)	**(214,937)**	**(2,339)**

The change compared with 2021 is attributable not only to the increase in current taxes but also to the impact of the recognition in2021 of extraordinary income connected with the deferred tax liabilities reflecting the effects of adjusting the tax values of property, plant and equipment and intangible assets to their higher carrying amounts in the financial statements.

21.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

IRES	31/12/2022	
	Taxable income	Tax
Profit (loss) before tax on continuing operations (item 290 IS)	1,569,378	-
Current rate	-	24%
Theoretical tax liability (24%)	-	(376,651)
Greater tax liability due to increases	**324,975**	**(77,994)**
Temporary	-	-
- Changes during the year	240,448	-
Definitive	-	-
- Reversal of temporary differences of previous years	9,048	-
- Changes during the year	75,479	-
Lower tax liability due to decreases	**1,726,322**	**414,317**
Temporary	-	-
- Changes during the year	73,006	-
Definitive	-	-
- Reversal of temporary differences of previous years	582,380	-
- Changes during the year	668,713	-
- Deductions up to limit of taxable income	402,223	-
Net increase in entities with tax losses	81,224	(19,494)
Taxable income (loss)	249,255	-
Current gross tax (effective tax charge)	-	(59,821)
IRES surtax	-	(6,254)
IRES income from consolidated taxation mechanism	-	25,996
Tax credits	-	453
Current net tax in income statement	-	(39,626)
Changes in current tax/deferred tax assets/deferred tax liabilities (+/-)	-	(76,418)
Tax liability for the year (a)	-	(116,044)
IRAP	**31/12/2022**	
	Taxable income	**Tax**
Profit (loss) before tax on continuing operations (item 290 IS)	1,569,378	-
Current rate	-	4.65%
Theoretical tax liability (ordinary rate 4.65%)	-	(72,976)
Items not included in determination of income	(592,137)	27,534
- Revenue and income (-)	(2,056,146)	-
- Costs and charges (+)	1,464,009	-
Greater tax liabilities due to increases	**760,214**	**(35,350)**
Temporary	-	-
- Changes during the year	1,724	-
Definitive	-	-
- Reversal of temporary differences of previous years	5,506	-
- Changes during the year	752,983	-
Lower tax liability due to decreases	**147,187**	**6,844**
Temporary	-	-
- Changes during the year	3,269	-
Definitive	-	-
- Reversal of temporary differences of previous years	(136,741)	-
- Changes during the year	280,659	-
Net decrease in entities with tax losses	17,093	(795)
Value of production	1,607,361	-
Current tax	-	(74,742)
Effect of regional surtaxes/tax relief (+/-)	-	(12,117)
Current tax in income statement	-	(86,859)
Changes in current tax/deferred tax assets/deferred tax liabilities (+/-)	-	(12,034)
Tax liability for the year (b)	-	(98,893)
Total income tax expense (item 300 IS) (a+b)		**(214,937)**

SECTION 22 - PROFIT (LOSS) AFTER TAXES ON DISCONTINUED OPERATIONS - ITEM 320

22.1 PROFIT (LOSS) AFTER TAXES ON DISCONTINUED OPERATIONS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1. Revenue	231,568	73,690
2. Expense	(206,763)	(39,045)
3. Result of measurement of groups of assets and associated liabilities	-	-
4. Gain (loss) on realization	430,490	-
5. Taxes and duties	(13,627)	(9,875)
Profit (loss)	**441,668**	**24,770**

The item reports the net profit of the e-money operations and the gain recognized by the Group on their disposal to FSI.

22.2 BREAKDOWN OF INCOME TAXES OF DISCONTINUED OPERATIONS

	Total 31/12/2022	Total 31/12/2021
1. Current taxes (-)	(13,627)	(9,875)
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (-/+)	-	-
4. Income taxes for the period (-1+/-2+/-3)	**(13,627)**	**(9,875)**

SECTION 23 - PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS – ITEM 340

23.1 BREAKDOWN OF ITEM 340 “PROFIT (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS”

	31/12/2022	31/12/2021
Consolidated equity investments with significant non-controlling interests		
Banca Mediocredito del F.V.G. S.p.A.	-	(1,442)
Coopersystem Società Cooperativa	9,083	5,267
Other equity investments	(26)	(19)
Total	**9,057**	**3,806**

SECTION 24 - OTHER INFORMATION

No other information necessary.

SECTION 25 - EARNINGS PER SHARE

The ordinary shares of the Parent Company, Iccrea Banca, are not traded on a public market and the company does not file its financial statements with CONSOB in order to issue ordinary shares on a public market. Accordingly, IAS 33 does not apply.

25.1 AVERAGE NUMBER OF ORDINARY SHARES IN DILUTED SHARE CAPITAL

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

25.2 OTHER INFORMATION

No further information to report.

PART D - CONSOLIDATED COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

		31/12/2022	31/12/2021
10.	**Net profit (loss) for the period**	**1,796,109**	**460,571**
	Other comprehensive income not recyclable to profit or loss	**28,552**	**7,833**
20.	Equity securities designated as at fair value through other comprehensive income:	1,523	17,042
	a) fair value changes	4,271	16,412
	b) transfers to other elements of shareholders' equity	(2,748)	630
30.	Financial liabilities measured at fair value through profit or loss (change in credit risk):	-	-
	a) fair value changes	-	-
	b) transfers to other elements of shareholders' equity	-	-
40.	Hedges of equity securities designated as at fair value through other comprehensive income:	-	-
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	Property, plant and equipment	-	(35)
60.	Intangible assets	-	-
70.	Defined-benefit plans	32,033	(6,942)
80	Non-current assets held for sale	-	-
90.	Valuation reserves of equity investments accounted for with equity method	-	-
100.	Income taxes on other comprehensive income not recyclable to profit or loss	(5,004)	(2,232)
	Other comprehensive income recyclable to profit or loss	**(449,125)**	**(43,346)**
110.	Hedging of investments in foreign operations:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(91,909)	25,274
	a) fair value changes	(83,390)	10,901
	b) reversal to income statement	(2,242)	11,902
	c) other changes	(6,277)	2,471
	of which: result on net positions	-	-
140.	Hedging instruments (undesignated elements):	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(443,527)	(91,297)
	a) fair value changes	(430,473)	(41,324)
	b) reversal to income statement	(13,297)	(48,262)
	- adjustments for credit risk	1,415	4,708
	- gain/loss on realization	(14,712)	(52,970)
	c) other changes	243	(1,710)
160.	Non-current assets and disposal groups held for sale:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Valuation reserves of equity investments accounted for with equity method:	(83,685)	1,173
	a) fair value changes	(83,685)	1,173
	b) reversal to income statement	-	-
	- impairment adjustments	-	-
	- gain/loss on realization	-	-
	c) other changes	-	-
180.	Income taxes on other comprehensive income recyclable to profit or loss	169,996	21,503
190.	**Total other comprehensive income**	**(420,573)**	**(35,513)**
200.	**Comprehensive income (item 10+190)**	**1,375,537**	**425,057**
210.	Consolidated comprehensive income pertaining to non-controlling interests	9,057	4,119
220.	**Consolidated comprehensive income pertaining to shareholders of the Parent Company**	**1,366,479**	**420,938**

PART E - RISK AND RISK MANAGEMENT POLICIES

INTRODUCTION

The Iccrea Cooperative Banking Group conducts its business in accordance with the principles of prudence and risk containment, based on the need for stability associated with banking activity and the main characteristics of the mutual banks and their customers. Consistent with these principles, the Group pursues its growth objectives in accordance with the needs of the mutual banking system, ensuring, through balanced risk management, reliable and sustainable generation of value over time.

The risk governance policies represent the reference model in organizational and process development and in the systematic execution of all the operational and business activities performed by Group companies and are an integral part of the risk management process (RMP) adopted by the Group, ensuring sound and prudent management and supporting sustainable implementation of the overall risk strategy. The internal control system (ICS) governs the RMP, ensuring the completeness, appropriateness, functionality (in terms of effectiveness and efficiency) and reliability of the policies in a context of strict consistency with the risk appetite framework defined at Group level.

The Risk Management function operates within the internal control system.

THE RISK MANAGEMENT FUNCTION

The Chief Risk Officer area is responsible at the Group level for the key elements of the overall Risk Management Framework: identification, measurement, monitoring and mitigation of corporate risks. It is responsible for the governance and execution of second-level controls connected with risk management, consistent with the internal control system adopted by the Group. It is the contact for the corporate bodies of the Parent Company for matters within its scope of responsibility, providing an integrated and composite vision of both the first and second pillar risks assumed and managed by the individual entities and by the Group as a whole.

In 2022, the organizational structure of Risk Management function of the Parent Company underwent fine-tuning, in line with the ongoing evolution of the Group’s risk management model. Current organizational arrangements provide for:

- a “*Risk Governance & Strategy*” unit that represents a “competency center” overseeing all risk governance and risk strategy issues for the Group, including the management of the EWS and stress testing framework for the purposes of the Guarantee Scheme at both the consolidated and individual levels. The unit performs activities connected with the preparation of the area’s annual activity plan and the institutional reporting document submitted to the corporate bodies and the supervisory authorities, supporting the Chief Risk Officer in its areas of responsibility. In addition, the Risk Governance & Strategy unit also coordinates and monitors strategic projects for the CRO area, periodically assessing achievement of the objectives as well as overseeing activities pertaining to the CRO area concerning climate and environmental risks and ESG issues. This unit is sub-divided into the following organizational units:
    - “*EWS & Stress Test SDG*”, which performs all activities connected with the EWS and the Guarantee Scheme. More specifically, the Early Warning System (EWS) regulates the governance mechanisms between the corporate bodies of the banks and the corporate bodies of the Parent Company and is the tool used to monitor the organization and the financial position and performance of the affiliated Banks, in the interest of their stability and their sound and prudent management. The EWS defines internal operating rules and areas of assessment that, using specific indicators and coded evaluation processes, make it possible to classify the affiliated banks in relation to their riskiness. Each affiliated bank is classified into one of seven risk levels attributable to three overall risk situations (“ordinary”, “strain”, “critical”), which are associated with specific responses of the Parent Company that are graduated in relation to the management constraints associated with the measures (“ordinary”, “coordinated” and “controlled” management). The intervention measures associated with the EWS indicators therefore form an integral part of the strategic/operational plans defined on an individual basis and are implemented by the affiliates involved when preparing the RAS, in particular with regard to the definition of the levels of risk propensity/target (risk appetite) and the maximum tolerated and permitted exposure (risk tolerance and risk capacity, respectively). Together with the other structures of the Risk Management function, the unit also contributes i) to the performance of stress testing connected with the assessment of the vulnerability of each affiliated bank and ii) the definition of the early warning levels and iii) the determination of the amount of Readily Available Funds to support the Guarantee Scheme;
    - “*BCC Risk Governance”,* which ensures the applicability of the methodological framework for risk governance processes and the specific risks on the individual level of the affiliated banks, supporting the Group Risk Governance and Group Risk Management units in the definition and maintenance of the processes in order to facilitate their operational implementation with the mutual banks. In this context, it supports the Mutual Bank RM units (Northern Area, Central Area, Southern Area) and the risk managers of the affiliated banks in the implementation and application on an individual basis of the reference frameworks, processes and related risk management activities. In particular: i) it supports the Group Risk Governance unit in the definition and maintenance of the methodological framework of the Group Risk Governance processes (RAF/RAS, analysis and assessments connected with capital adequacy, stress testing, OMR and incentive system) and, in close collaboration with the Mutual Bank RM units (Northern Area, Central Area, Southern Area), handles its efficient and effective operational implementation within the affiliated banks; ii) supports the Group Risk Governance unit in the definition of the guidelines to support the preparation of the annual plans and the respective institutional reports of the activities of the Risk Management function broken down by individual mutual bank; iii) in close collaboration with the Mutual Bank RM unit and in concert with the other competent units of the Risk Management function, develops the risk appetite proposal for the affiliated banks with the related limits and triggers broken down into risk categories by

operating and business segments; iv) supports the Group Risk Management unit in the definition and maintenance of the methodological framework for specific risks in order to enable efficient and effective operational implementation within the affiliated banks; in addition, it also supports this unit in assessing and monitoring the Group's specific risks arising in respect of the affiliated banks and identifies, within its area of responsibility, any risk mitigation measures required; and v) supports the Mutual Bank RM units and the risk managers of the affiliated banks in the implementation and application of the risk management frameworks, the risk measurement methodologies and models for the risks identified by the Parent Company and ensures the correct and uniform performance of the related risk management activities in compliance with the qualitative and quantitative standards dictated by the Parent Company;

- a "*Group Risk Governance*" unit, which defines and maintains the methodological framework of the Group's Risk Governance processes (RAF/RAS, ICAAP, Recovery Plan, stress testing, OMR, incentive system). Within this framework, the unit also performs supervision and support activities for the transversal activities of the overall function and acts as the internal reference unit within the CRO area for climate and environmental risks and ESG issues. In performing these activities, the unit covers the Group and the companies within the direct scope, in close collaboration with the Planning & Management Control unit and in concert with the other competent units of the Parent Company's Risk Management function and, with regard to the affiliated banks, in collaboration with the Mutual Bank Risk Governance unit;

- a "*Group Risk Management*" unit, which i) supervises and coordinates the organizational units dedicated to the individual risk categories, which within their areas of responsibility are involved in the development and maintenance of the methodological framework for the assumption and management of specific risks, as well as the assessment and monitoring of those risks, the identification of any risk mitigation measures, ii) oversees risk management activities for the companies within the direct scope, governed by a specific service agreement, coordinating communication with the other specialized units of the Risk Management function; and iii) establishes the operational guidelines for the specialized units of the Risk Management function in their interactions with the Risk Management units of the affiliated banks;
- a "*Mutual Bank Risk Management*" unit, which represents the "control center" for the risk profile of the individual affiliated banks, representing the top management structure for the local Risk Management units. Local risk managers report to the unit through the Mutual Bank RM units (Northern Area, Central Area, Southern Area). It coordinates communication with the other specialized units of the Risk Management function. The Mutual Bank RM units have organizational responsibility for the overall execution of the Risk Management activities outsourced for the macro-area; represent the top management structure for the Risk Management controls of the area, which is responsible for the execution the outsourced second-level control activities for risk management; ensuring the coordination of the managers in charge of the Risk Management functions of the affiliated banks;
- a "Validation" unit: reporting directly to the CRO, that validates models developed internally to quantify the risks to which the Group is exposed.

The main duties performed by the Risk Management function are the following:

- defining and developing the framework for the assumption and management of risks pertaining to the Group, which is composed of i) organizational structures and corporate processes (operating, administrative and business), including line controls; ii) risk governance policies (policies, limits, responsibilities); iii) methodologies and risk measurement and assessment criteria, iv) support tool applications. In this area, the Risk Management function ensures that the framework for the assumption and management of risks is compliant with applicable regulations, in line with market best practice, functional in respect of internal operational conditions and consistent with the business plan, the budget and the Risk Appetite Framework (RAF), the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) of the Group;
- developing the Risk Appetite Framework and its operational implementation (the Risk Appetite Statement) at the consolidated level and, with the support of the affiliated banks and Group companies, at the individual level, consistent with capital adequacy objectives (ICAAP) and the adequacy of the liquidity profile (ILAAP) of the Group;
- acting as a control center for monitoring the risk profile of the individual affiliated banks and the companies in the direct scope for which risk management activities are performed on a centralized basis under an outsourcing arrangement governed by specific service agreements. This control center operates through the dedicated risk management units within the central organizational arrangements and, for the affiliated banks only, uses the mechanisms of the Early Warning System and the Guarantee Scheme. In this area, the Risk Management function:
  - handles the development and updating of the methodological framework and develops tools for managing the Guarantee Mechanism, as well as analyzing, controlling, assessing and monitoring the affiliated banks within the scope of EWS management processes and proposes their risk classification;
  - is responsible, through the action of its local units as well, for the determination and adoption by each affiliated bank of strategies, policies and principles for the assessment and measurement of the risks identified at the Group level.
- monitoring developments in the risk profile and the various types of risk to which the Group as a whole and its individual members are exposed, verifying the ongoing consistency between the actual risk assumed and the specified risk objectives. In this context, the Risk Management function:

- develops methodologies and models for measuring and assessing risks, validating those models, periodically checking their operation, predictive capacity and performance, and their consistency over time with operational practices and regulatory requirements;
- performs second-level controls of the appropriateness, effectiveness and resilience of the framework for the assumption and management of the risks for which it is responsible, identifying any needs for fine tuning/corrective or evolutionary maintenance and providing support – within the scope of its duties – in implementing the associated actions;
- identifies any risk developments exceeding the limits set out in the Risk Appetite Statement, in the Risk Governance Policies or in external regulations and, in general, potentially harmful or unfavorable situations in order to assess possible mitigation initiatives to implement;
- within the RAF/RAS and EWS frameworks, examines the results of the process of determining the capital requirements, analyzing the dynamics involved to verify the overall consistency with the risk profile in the different analytical dimensions considered;
- analyzes major transactions, expressing a prior opinion on their consistency with the Risk Appetite Statement;
- assesses, within the scope of its duties, the capital structure in relation to the risks assumed/assumable (ICAAP) and the appropriateness of the Group's liquidity profile (ILAAP);
- assesses the impact of especially serious events on the Group's exposure to risk and participates in developing strategies to be implemented for the resolution;
- reports to top management on risk developments in the various operating segments and business areas, providing support to management bodies in defining strategic policy and risk policy and the associated implementation of those policies;
- within the scope of its duties, it performs tasks required for the purpose of supervisory reporting, inspections and regulations.

THE RISK CULTURE

The Group devotes special attention to managing, assessing and understanding risk. All personnel are asked to identify, assess and manage risk within their area of responsibilities. Each employee is expected to perform their duties seriously and with awareness.

The risk culture is inspired by the principles of the risk management model of the Parent Company. It is disseminated to all business units and personnel and is founded on the following pillars:

- the independence of risk functions from business units;
- the establishment and constant updating of risk handbooks and policies, updating risk measurement and estimation approaches to ensure consistency with sector best practices;
- the specification of risk limits;
- the periodic monitoring of (aggregate and non-aggregate) exposures and compliance of approved limits and implementation of appropriate corrective measures where necessary;
- the presence of other support tools to help develop the culture of risk (training courses, remuneration policies and incentives linked to the quality of risk and the results of the Group companies in the long term, systematic and independent Internal Auditing units, etc.).

THE GROUP RISK GOVERNANCE FRAMEWORK

The overall Risk Governance framework developed and adopted by the Group reflects the specific features of the ICBG as a Group, whose participatory mechanisms are based on a Cohesion Contract, signed by the banks and participating companies, that provides for internal stability mechanisms characterized by intercompany mutual support agreements regulated specifically by applicable external legislation.

On the basis of the provisions of the Cohesion Contract between the affiliated banks and the Parent Company, the latter constantly monitors the organization and the operating conditions, financial position and performance of the affiliated banks through the Early Warning System (EWS), which is designed to promptly identify any signs of management difficulty and/or failure to comply with the obligations assumed under the Cohesion Contract, recommending or arranging, depending on the specific features of any given case and on the basis of the principle of proportionality, the appropriate intervention measures. The overall framework of the Group's risk governance system is completed by the Risk Appetite Framework (RAF), which is implemented operationally through policies addressing the individual risks to which the Group is exposed and transversal systems involved in the internal assessment the capital adequacy and liquidity profile (ICAAP/ILAAP) and the overall assessment of the recovery capacity in particularly adverse conditions (the Recovery Framework).

The RAF defines - in line with the maximum assumable risk (Risk Capacity), the business model and the Group strategy, the Operational Plan and the company incentive system - the risk objectives or risk appetite (Risk Appetite) and Risk Tolerance thresholds, taking due account of

possible adverse scenarios. Starting on the basis of the RAF, consistent operating limits are defined within the overall risk governance policies. The latter in turn represent the internal regulatory expression of the "rules" for the assumption and management of risks and are an integral part of the Risk Management Process (RMP).

The overall architecture of the Risk Appetite Framework, defined in terms of key elements, scope of coverage/application and underlying operating models, is closely interconnected with ICBG's key risk governance process, i.e. the Early Warning System. The RAF is implemented individually with regard to the affiliated banks and shares qualitative and quantitative indicators with the EWS, ensuring consistency between the different calibration approaches and the purposes of the two frameworks.

In other words, the RAF is intended to explicate the medium/long-term vision of the desired risk profile for the Group as a whole and for each Group company, defining the risk area within which the management functions must operate in pursuit of corporate strategies. Compared with the RAF, the capital adequacy and liquidity assessment (ICAAP and ILAAP) represents an occasion to verify the stability of the risk appetite choices in terms of their consistency with the capital and liquidity resources available, guiding any subsequent modification of the choices and the resulting overall strategy decisions.

SECTION 1 – RISKS WITHIN SCOPE OF ACCOUNTING CONSOLIDATION

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

A.1.1 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNT))

	Bad loans	Unlikely to be repaid	Impaired past due exposures	Performing past due positions	Other performing positions	Total
1. Financial assets measured at amortized cost	230,557	869,767	262,080	1,234,050	147,858,483	150,454,937
2. Financial assets measured at fair value through other comprehensive income	33	-	-	-	7,811,525	7,811,558
3. Financial assets designated as at fair value	-	-	-	-	251,392	251,392
4. Other financial assets mandatorily measured at fair value	-	-	-	119	787,709	787,828
5. Financial assets held for sale	60,372	86,593	22	-	1	146,988
Total 31/12/2022	**290,962**	**956,360**	**262,102**	**1,234,169**	**156,709,110**	**159,452,703**
Total 31/12/2021	**600,231**	**1,472,866**	**332,699**	**1,727,692**	**163,804,085**	**167,937,570**

A.1.2 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

	Impaired assets				Performing assets			
	Gross exposure	Total adjustments	Net exposure	Total partial writeoffs	Gross exposure	Total adjustments	Net exposure	Total (net exposure)
1. Financial assets measured at amortized cost	4,231,855	2,869,452	1,362,403	478,044	150,190,102	1,097,568	149,092,534	150,454,937
2. Financial assets measured at fair value through other comprehensive income	33	-	33	-	7,821,793	10,268	7,811,525	7,811,558
3. Financial assets designated as at fair value	-	-	-	-	X	X	251,392	251,392
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	787,828	787,828
5. Financial assets held for sale	460,581	313,594	146,987	7,624	1	-	1	146,988
Total 31/12/2022	**4,692,469**	**3,183,046**	**1,509,423**	**485,668**	**158,011,897**	**1,107,836**	**157,943,280**	**159,452,703**
Total 31/12/2021	**6,447,965**	**4,042,170**	**2,405,795**	**282,901**	**165,604,663**	**1,255,454**	**165,531,775**	**167,937,570**

	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	30	250,692
2. Hedging derivatives	-	-	1,891,822
Total 31/12/2022	**-**	**30**	**2,142,514**
Total 31/12/2021	**-**	**101**	**207,342**

*Reported for disclosure purposes.

B. DISCLOSURES ON STRUCTURED ENTITIES (OTHER THAN SECURITIZATION VEHICLES)

Consistent with IFRS 12, the Group defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity often has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective, such as to provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support;
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Group has exposures to structured entities that mainly operate as special purpose vehicles for securitizations and closed- or open-end securities/real estate investment funds in which the Group has subscribed units or to which it has lent funds.

For the purpose of this section, transactions carried out with special purpose securitization vehicles are not considered. For more on that type of structured entity, please see section C. Securitization and section E. Disposals in Part E of the notes to the consolidated financial statements.

B.1 CONSOLIDATED STRUCTURED ENTITIES

In the Group, consolidated structured entities are represented by closed-end real estate investment funds over which the Group exercises control in accordance with international accounting standards as a result of the subscription of a number of units sufficient to expose the Group to variable returns from the involvement and give it the ability to manage the underlying portfolio directly or indirectly.

The following table summarizes the on-and off-balance-sheet exposures held by Group companies in respect of those entities.

Type of structured entity	Total assets	Off-balance-sheet exposures
Investment funds	401,503	-

B.2 STRUCTURED ENTITIES NOT CONSOLIDATED FOR ACCOUNTING PURPOSES

B.2.1 STRUCTURED ENTITIES CONSOLIDATED FOR SUPERVISORY PURPOSES

The Group does not have exposures to structured entities that are unconsolidated for accounting purposes but consolidated for supervisory purposes.

B.2.2 OTHER STRUCTURED ENTITIES

QUALITATIVE DISCLOSURES

The Group has exposures to unconsolidated structured entities, mainly regarding units subscribed and loans granted to securities/real estate investment funds (collective investment undertakings - CIUs).

These entities are not consolidated since the Group only holds minority interests, is not the fund manager and is not able to influence its returns.

During the period under review, the Group did not provide and does not intend to provide financial or other support to unconsolidated structured entities and has not acted as a sponsor of these entities.

QUANTITATIVE DISCLOSURES

	Asset portfolios (*)	Total assets (A)	Liability portfolios	Total liabilities (B)	Net carrying amount (C=A-B)	Maximum exposure to loss risk (E)	Difference between exposure to loss risk and carrying amount (E=D-C)
1. Vehicles	-	-	-	-	-	-	-
2. CIUs							
	HFT	1,337			1,337	1,337	
	MFV	326,789			326,789	326,789	

(*) MFV = financial assets mandatorily measured at fair value; HFT= financial assets held for trading

SECTION 2 – RISKS WITHIN SCOPE OF PRUDENTIAL CONSOLIDATION

1.1 CREDIT RISK

QUALITATIVE DISCLOSURES

1. GENERAL ASPECTS

In accordance with the organizational model established at the Iccrea Banking Group level to govern and manage risks, credit risk is managed with an integrated series of processes and associated responsibilities defined within company units and regulated with a comprehensive set of internal rules for credit risk.

As Parent Company, Iccrea Banca determines credit risk management policies at the Group level. More specifically:

- the lines of development for the Group activities are defined in the Strategic Plan and then incorporated in the annual budgets of the subsidiaries, in agreement with the Parent Company;
- the Risk Management function supports the risk assumption phase (policy, assessment and pricing models, quality control, strategic policy analysis) and management (identification, measurement/assessment, monitoring/reporting, mitigation) of the credit risk exposure of the Parent Company and all the Group companies.

With regard to the management and coordination role of the Parent Company, on the basis of the Cohesion Contract – Iccrea Banca assumes responsibility for the following areas: lending rules (principles, policies and processes), credit strategies and credit risk limits, management of large exposures, guidelines for the main credit product categories by customer segment, the monitoring and reporting of portfolio credit risk.

In line with these credit governance rules, the Parent Company's Chief Lending Officer area conducts its guidance and coordination activities for the Group companies, being responsible for overseeing credit quality, defining credit policies (verifying their application), ensuring the implementation of guidelines in the assumption and management of credit risks and overseeing the execution of credit and administrative obligations connected with the non-performing portfolio.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 ORGANIZATIONAL ASPECTS

Credit risk represents the preponderant component of the overall risks to which the Group is exposed, considering that credit exposures account for a dominant share of assets.

In light of this circumstance and in compliance with the applicable provisions concerning the internal control system (see Bank of Italy Circular No. 285/2013, Part One, Title IV, Chapter 3), the Group has adopted a governance structure and operational arrangements to ensure the adequate monitoring of credit risk in the various phases of the process.

The Parent Company, in exercising the powers of strategic management and coordination in lending granted to it under provisions of the Cohesion Contract, defines the strategies, policies and principles for assessing and measuring risks and ensures the consistency of the internal control systems of the affiliated banks with the strategies, policies and principles established at the Group level. The main activities of the performed by the Parent Company’s CLO area are:

- performing guidance and coordination activities for all phases of the credit process (granting, management, governance of guarantees, monitoring, classification, evaluation and credit recovery);
- ensuring the constant updating of the guidelines on credit issues;
- overseeing and directing projects related to innovations or upgrading of existing credit processes;
- coordinating any remedial actions requested by the supervisory authorities, top management or the corporate control functions;
- supporting the competent Group units in the definition and development of credit products;
- contributing to the definition of the Strategic Plan for the lending area, including the NPE sector;
- defining the NPE Operating Plan, in line with the Group's strategic guidelines in this area;
- issuing, in compliance with the provisions and amount limits specified in the Group Lending Policies and in compliance with the powers attributed in internal rules, credit opinions on performing credit transactions from companies in the direct scope and the affiliated banks;
- approving the bank's performing loan transactions, in compliance with the powers attributed in internal rules, submitting them to the higher decision-making bodies of Iccrea Banca where they do not fall within its powers.

In accordance with supervisory regulations (Bank of Italy Circular No. 285/2013), the Risk Management function performs - at both the consolidated and individual legal entity levels - credit risk control activities designed to ascertain that the activities performed in all phases of the lending process ensure the effective monitoring and adequate representation of credit risk, identifying any hidden risks and guiding correct/adequate risk management, classification and evaluation. More generally, the Risk Management function oversees the risk management of the individual entities from a consolidated and individual perspective:

- overseeing the measurement of credit risk from a current and forward-looking perspective, considering both conditions of normal operations and stress scenarios;
- monitoring the capacity of the risk limits, including those defined within the RAF/RAS with regard to the associated credit risk metrics;
- defining and updating the methods and measurement models for credit risk, including those used in the performance of credit stress tests, ensuring their ongoing compliance with regulatory developments and market best practice.

2.2 MEASUREMENT, MANAGEMENT AND CONTROL SYSTEMS

IDENTIFICATION OF RISKS

As noted in the previous section, in compliance with the provisions of Circular no. 285/2013 of the Bank of Italy as updated, the Parent Company determines the strategies, policies and principles for assessing and measuring risks for the Group and ensures the consistency of the internal control systems of the affiliated banks with the strategies, policies and principles established at the Group level, thus exercising the powers of strategic management and coordination aimed at ensuring the unity of the Group's strategic management and control system, as governed by the Cohesion Contract.

With regard to lending activities performed by the Group, the Parent Company governs all the phases of the lending process, the management of real estate guarantees, exposure monitoring, the classification of risk positions, and the management and valuation of impaired exposures.

More specifically, as part of the loan approval process a direct assessment is carried out to ascertain the needs and requirements of the applicant accurately assessing the credit risk profile using specific tools/models for assessing creditworthiness. Granting a loan requires an in-depth analysis of the risk associated with i) the counterparty as well as the economic context in which it operates, ii) the purpose and characteristics of the transaction to be financed, iii) the guarantees available and iv) other forms of credit risk mitigation.

The analysis of a counterparty's risk is a key element of the loan granting process. It is based on qualitative/quantitative information with the aim of accurately assessing the risk profile of the transaction and monitoring the creditworthiness of the counterparty over time. Typically, the assessment of counterparties is supported by the use of automated calculation models (rating/scoring models) designed to measure the creditworthiness of a counterparty and/or the admissibility of a transaction. The evaluation models in use within the Group take into consideration:

- the specific features of the different types of counterparties, with particular reference to the Corporate segment (companies/producer households), Retail (consumers) and Institutional (bank counterparties);
- the specific features of the product involved, distinguishing between short, medium and long-term types of credit, or specialized technical forms (leases, factoring, consumer credit).

In general, the evaluation models use all the available updated information on the counterparty/transaction, drawn both from external sources (e.g. the Bank of Italy Central Credit Register and similar association databases, credit bureaus, financial statements, registry events) and internal sources (internal performance information).

The Group adopts a counterparty approach in assigning ratings except in specific cases in which the counterparty assessment is supplemented by a product-perspective evaluation, in consideration of any special features of a business. Using rating/scoring models, the Group assigns the counterparty a representative credit rating, adopting an on-line processing procedure, which is typically accessed through the electronic application processing system but also in batch mode, with the latter being adopted for periodic updating of ratings for all Bank customers (the loan position performance rating).

In compliance with the supervisory provisions governing the correct identification of the risk assumed, or to be assumed, in respect of a "group of connected clients", any legal or economic connections between clients are detected and evaluated by those responsible for analyzing creditworthiness during the application assessment phase of the lending process.

These objectives are achieved through an analysis that involves the acquisition of all available information such as financial statements, where available at Group level, or aggregated financial statements of the main entities involved, for subsequent processing, ad hoc information on intercompany items of a financial and operating nature that may not be reported in the financial statements, or on operating flows between Group companies, on the presence of centralized treasury operations and, more generally, on the activities, the market and the competitors of the Group and all entities connected with it.

The monitoring process envisaged by the model is independent with respect to classification status (for example, a position on which payments are being made regularly but has been classified as unlikely to pay due to another non-performing exposure in the system). It is based on the

following: i) the use of early warning indicators that permit timely detection of risk signals; ii) the definition and attribution of responsibilities in the monitoring process; iii) the definition and execution of risk mitigation actions iv) the generation of appropriate information flows between the bank and the Parent Company.

More specifically, within the process we distinguish:

- a phase in which early warning signals are identified, using risk indicators to detect exposures affected by an appreciable increase in credit risk in order to analyze their risk profile and take appropriate management actions;
- a management phase, aimed at examining the identified positions and taking, where necessary, specific management actions in order to promptly mitigate the risk of a deterioration in the position.

The identification of the positions under observation, using IT support procedures, can be carried out manually (i.e. based on the "manual" acquisition of information about, for example, significant changes in the corporate group to which the counterparty belongs, failure to comply with covenants, voluntary declarations of difficulties made by the counterparty, news reports, etc.), or using automated processes, i.e. procedures based on a set of indicators (from external or internal sources, regarding the relationship between the bank and the counterparty, or the capital structure and financial resources of the latter) that enable the timely detection of signs of distress and permit an assessment of the riskiness of the relationship.

Automated identification must be based on a set of indicators that enable the timely detection of signs of distress and permit an assessment of the riskiness of the relationship (directly related to the client's relationship with the Bank or the client's financial structure, based on data from external or internal sources). These indicators are differentiated on two levels (1 and 2) that indicate an increasing degree of risk, In the case of level 2 indicators, the position undergoes an analysis of counterparty creditworthiness, which may involve a re-examination of the borrower, in order to verify the capacity of the client to honor its commitments through to full repayment.

The process of managing "watch list" exposures therefore enables the analysis of the risk profile of "watch list" counterparties and the definition of appropriate management actions in the context of the monitoring processes with a view to returning the position to normal status or mitigating the risk connected with the exposure.

RISK MEASUREMENT AND ASSESSMENT

For the purpose of calculating prudential requirements for credit risk, the Group uses the standardized approach envisaged under prudential regulations (Regulation (EU) No. 575/2013 of the European Parliament and the Council of June 26, 2013 - CRR).

The adoption of the standardized approach to determine the capital requirement against credit risk involves the subdivision of exposures into portfolios and the application of differentiated prudential treatments to each, possibly using assessments of creditworthiness (external ratings) issued by external agencies (ECAI) or by export credit agencies (ECA) recognized for prudential purposes on the basis of the provisions of Regulation (EU) No. 575/2013.

Depending on the type of counterparty and the sector in which it operates, the Group's operations also open it to the risk of being excessively exposed to an individual counterparty (single name) or a specific sector/geographical area (geo-sectoral).

For the purposes of determining internal capital for concentration risk for individual counterparties or groups of connected clients, the Group uses the regulatory granularity adjustment (GA) algorithm, based on the Herfindahl index. In accordance with regulatory provisions, the reference portfolio consists of on-balance-sheet and off-balance sheet exposures (the latter considered at their credit equivalent amount) falling within the regulatory portfolios "corporates and other borrowers", "short-term exposures to corporates" and exposures to corporates included in the asset classes "in default", "secured by real estate", "equity exposures" and "other exposures".

Furthermore, for the purpose of quantifying geo-sectorial concentration risk, the Group adopts the methodology developed by the "Geo-Sectoral Concentration Risk Laboratory" of the Italian Banking Association (ABI), which sets geographical and product categories against a national asset allocation benchmark.

The Group periodically performs stress tests for credit and concentration risks in order to assess - in terms of potential losses - the impact of expected risk developments on the financial profile of the Group and the individual entities under both normal and adverse operating conditions.

The stress test methods are based on regulatory practices and are applied in various management and risk governance processes, starting with the capital adequacy assessment process (ICAAP), as well as in the performance of supervisory exercises.

The methodological and calculation structure of credit stress tests is based on the use of internal risk models and parameters and incorporates a credit risk projection approach (transitions between stages/risk states) and determination of related losses over the scenario years (12-month or lifetime expected credit loss) based on the measurement of IFRS 9 impairment.

The projections of the estimates for the scenario years are performed considering the macroeconomic scenario assumptions in the adopted scenarios (in baseline or adverse conditions), using internally developed models ("satellite" models), which estimate the relationship between risk factors and developments in macroeconomic variables.

RISK MONITORING AND CONTROL

In accordance with supervisory regulations (Bank of Italy Circular no. 285/2013), the Risk Management function performs - at both the consolidated and individual legal entity levels - credit risk control activities designed to ascertain that the activities performed in all phases of the lending process ensure the effective monitoring and adequate representation of credit risk, identifying any hidden risks and guiding correct/adequate risk management, classification and evaluation. These activities are accompanied by the ongoing controls of the Risk Management function through analysis of developments in the exposure to credit risk of the Group as a whole and of the individual entities.

The Internal Audit unit performs third-level controls, verifying the adequacy and comprehensiveness of the processes and activities performed by the relevant units, the consistency and validity of the analyses performed and the associated findings.

The locus of the strategic and operational management of credit risk is the Group's Risk Appetite Statement, through a comprehensive system of risk objectives and limits (appetite, tolerance and capacity) at both the consolidated and individual entity levels, with compliance ensured by the monitoring and control activities of the function.

Monitoring and reporting on the credit risk profile is characterized by activities that involve both the business functions and the control functions, in accordance with their respective responsibilities. In particular, monitoring is ensured both by aggregate portfolio performance analyzes and by analyzes carried out on individual positions.

The Risk Management function monitors the credit risk profile – at both the consolidated and individual affiliated bank and Group company level, using an analytical framework and related reporting based on a system of key risk indicators. It is designed to monitor the loan portfolio, at both the time exposures are taken on and during their lifetime, the outcomes of which are reported regularly to top management. In this context, the analytical methods and the related reporting undergo constant fine-tuning in order to represent the drivers underlying developments in credit risks in an ever more effective manner, reflecting changes in the regulatory environment as well as management requirements and to support decision-making.

Risk Management has also centrally defined the "Credit Risk Control 285" framework. This is intended to govern, based on the set of governance, management and control mechanisms adopted by the Group for credit risk, the analysis, identification and control activities performed by the Risk Management function pursuant to Circular 285.

During 2022, the evolution the framework was completed. The evolutionary modifications applied in the 2022 control cycle included:

- the introduction, prior to the start of the activities, of an operating guideline qualifying the elements to calibrate and direct the risk control activities by integrating the ordinary analysis system with the developments in the internal and external environment of the Group;
- the evolution of the control framework, in order to: i) optimize the mass analysis methodology for banks' portfolios, aimed at defining a level of potential anomaly associated with each legal entity of the Group, using a subset of indicators applied to all stages of the lending process; ii) concentrate, from a risk-driven perspective, single file controls on the correct identification and classification of anomalous positions, as well as performing adequate credit assessment in the event of the anomalous performance of a credit position as a significant effect of credit risk management; iii) identify any segments of the portfolio for activation of the single file controls, in addition to those envisaged in the ordinary system in line with the operational guidelines (contingency sampling); and iv) conduct credit risk profiling of the mutual banks/direct scope companies at the end of the annual analysis and control cycle, incorporating the actions mentioned above.

The analytical system introduced in 2022 therefore implemented the evolutionary interventions of the framework presented above, which had undergone testing from the start of the pandemic emergency, focusing activities on the effective identification of credit anomalies, giving ample space for investigation to the "contingency scope", which goes beyond the "ordinary scope" of investigation, i.e. positions potentially impacted by the Russia-Ukraine conflict and counterparties classified as forborne performing.

2.3 METHODS FOR MEASURING EXPECTED CREDIT LOSSES

The Group has adopted a framework for determining impairment based on risk assessment models and the corresponding parameters used in operational and management practices by the Parent Company and individual Group entities. In accordance with the provisions of IFRS 9, the methods for measuring expected losses on impaired exposures are based on the following elements:

- a 3-stage (stage allocation) approach, based on changes in credit quality, defined on a model of 12-month expected loss or lifetime expected loss if a significant increase in credit risk is detected. The standard provides for three different categories that reflect the deterioration in credit quality since initial recognition:
  - Stage 1: financial assets originated and/or purchased that do not exhibit objective evidence of impairment at the date of initial recognition or that have not experienced a significant deterioration in their credit quality since the date of initial recognition or which have low credit risk (low credit risk exemption);
  - Stage 2: financial assets whose credit quality has deteriorated significantly since the date of initial recognition;

- Stage 3: financial assets that exhibit objective evidence of loss at the reporting date. The population of these exposures is consistent with those considered "impaired" under IAS 39.

- application of "point-in-time" formulations of the parameters for measuring credit risk for the purpose of calculating impairment;
- calculation of lifetime expected credit loss for exposures not classified in Stage 1, using lifetime parameters;
- inclusion of forward-looking conditioning in the calculation of ECL, considering the average loss from each scenario and the associated probability-weighted likelihood of each outcome;
- staging and transfers of financial assets between the stages.

In accordance with the standard, the Iccrea Group allocates each asset/tranche to one of the following three stages:

- stage 1, which includes all newly issued exposures and all exposures in respect of counterparties classified as performing that, as at the reporting date, meet the condition for the low credit risk exemption, or that do not show a significant increase in credit risk with respect to the level measured at the date of disbursement or purchase;
- stage 2, which includes all performing positions/tranches that at the time of assessment simultaneously meet the following two conditions: i) they have a PD greater than the threshold, ii) they have experienced a significant increase in credit risk with respect to the level measured at the origination date. In the absence of a rating/PD at the reporting date, exposures are generally allocated to stage 2 (without prejudice to the additional considerations and practices addressed below);
- stage 3, which includes all exposures that, as at the evaluation date, are classified as non-performing under the default definition adopted and governed by specific internal rules in conformity with supervisory regulations.

The staging method of the Group was developed on the basis of the following drivers.

The method developed for the loan portfolio envisages:

- the use of the low credit risk (LCR) criterion, under which credit risk is deemed to have not increased significantly if the exposure shows a low level of credit risk at the reporting date, essentially defined as a PD threshold at the reporting date equal to the investment grade threshold;
- the use of quantitative criteria based on rating/scoring systems, involving the analysis and comparison of the PD/rating at origination with the PD/rating at the reporting date. This identifies, on the basis of thresholds of significance defined in terms of the number of notches that a rating has changed, any significant increase in credit risk on the position.
- the use of qualitative staging criteria to identify the riskiest positions in the performing portfolio. These criteria have been defined independently of the use (or not) of the quantitative criteria referred to in the previous point and are based on the identification of objective evidence of impairment, such as the presence of forbearance measures, positions more than 30 days past due.

The staging methodology developed for the securities portfolio is applicable to the entire portfolio of debt securities outstanding at the reporting date for the various Group entities. Not included in the calculation of impairment, and therefore not subject to the staging mechanism, are shares, equity investments, units of collective investment undertakings, securities classified as held-for-trading and debt securities that do not pass the benchmark test and the SPPI test.

The approach adopted for the securities portfolio provides for the use of the principle of the low credit risk exemption, which allocates exposures with a conditional 12-month PD below the investment grade threshold to stage 1. Positions with a conditional 12-month PD above that threshold are allocated to stage 2.

Group entities with a securities portfolio use the external ratings of an ECAI at the tranche level. For the purpose of assigning a rating to securities exposures at the reporting date, only ECAIs with which a valid information-use agreement is in place are used.

Starting from the allocation of exposures in the different stages, the calculation of expected losses (ECL) is carried out, at the level of each position, on the basis of the estimated risk parameters (EAD, PD, LGD) using internal management models, performed in compliance with the requirements of the applicable accounting standard.

In particular, for the purposes of determining the probability of default (PD), the approach adopted for both the loan portfolio and the securities portfolio envisages:

- the transformation of the "through-the-cycle" PD into (or calculation of) the "point-in-time" (PIT) PD on the time horizon for the most recent historical observations;
- the inclusion of forward-looking scenarios through the application of multipliers representing macroeconomic forecasts to the PIT PD and the definition of a series of possible scenarios and the associated probability of occurrence that incorporate future macroeconomic conditions in the estimates;
- the transformation of the 12-month PD into a lifetime PD in order to estimate the PD term structure over the entire residual life of the loans.

Loss given default (LGD) is determined using a "block" approach, determined by the combination of parameters relating respectively to the pre-litigation phase (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan).

Exposure at Default (EAD) is calculated on the basis of the amortized cost schedules of the individual relationships for both loans and debt securities. For exposures relating to margins, EAD is determined by applying a specific Credit Conversion Factor (CCF) to the nominal value of the position.

For the purposes of calculating ECL under IFRS 9, the risk parameters are estimated from a forward-looking perspective through conditioning to macroeconomic scenarios. The approach adopted consists in the use of forecast values for the exogenous macroeconomic variables in the satellite models estimated internally and the associated conditioning approach for each forecast year. In order to reflect the different forward-looking riskiness of the positions assessed in the ECL estimates, those satellite models are differentiated, in particular the PD, by type of counterparty, sector of economic activity and geographical area. To determine the macroeconomic conditioning measures to be applied in the calculation, two types of scenarios are used, the first relating to an ordinary economic situation (or "baseline"), the other to an adverse situation ("worst plausible scenario "), which is associated, using judgment, with the corresponding probability of occurrence.

On the occasion of the closure of the financial statements at December 31, 2022, the measures delineated in the multi-year Credit Risk Models Evolution (CRME) were completed for the purposes of calculating the IFRS 9 impairment of the Group's performing credit exposures. The CRME concerns the evolution of the models for measuring credit risk parameters and specific measures to update the IFRS 9 framework. Specifically, the following modifications of the credit risk measurement models were completed:

- updating the Probability of Default (PD) models, which hinges on the development of the new version of the internal rating system (AlvinRating 6.0) through the introduction of the single behavioral model at Group level, with the associated re-estimation of the PDs and updating of the rating scale;
- development of "block" LGD models, including the parameters necessary for appropriate quantification in the accounts, based on the combination of parameters connected, respectively, with the pre-litigation phases (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan);
- replacement of the "PD Satellite Models" with models developed internally using the most advanced methodologies available. This evolution enables the Group to internalize the models, reducing dependence on an external supplier of the macroeconomic scenarios and, at the same time, to respond more quickly and with greater precision to the constant demand for in-depth analysis generated by the delicate and changing macroeconomic environment we are currently experiencing;
- updating of the "LGD Satellite Models" to take appropriate account of the reconstruction and updating of the historical databases of position recoveries;
- evolution of the forward-looking conditioning framework for PD, using the Merton-Vasicek methodology.

The methodological developments concerning the above projects also envisage conservative adjustments, defined as in-model adjustments, intended to both address any weaknesses still present in the models and avoid the incorporation of possible distortions created by the pandemic.

Finally, other specific interventions on the IFRS 9 impairment framework were implemented to ensure greater prudence in respect of specific sub-portfolios that could be made more fragile from the point of view of creditworthiness by the uncertainty of the current macroeconomic context, which cannot be entirely captured by models. For this reason, with effect from the closures of the year ending December 31, 2022, a specific overlay was introduced that takes account of this uncertainty on certain segments of the loan portfolio: private individuals with variable-rate loans, firms impacted by the "gas stoppage scenario", customers with active forbearance measures and customers already benefitting from a loan repayment moratorium.

2.4 CREDIT RISK MITIGATION TECHNIQUES

As required by Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group is strongly committed to compliance with all the requirements for the appropriate application of credit risk mitigation (CRM) techniques in accordance with the standardized approach for the calculation of capital requirements both for internal management and regulatory purposes.

Specific guidelines issued by the Parent Company are currently in force for the Group. They define common rules and principles for the direction, governance and standardized management of risk mitigation techniques, best practices and regulatory requirements in this field.

Specifically, under the current credit policy, the CRM techniques recognized for all capital requirement calculation methods are divided into two general categories:

- funded credit protection, consisting of:
  - collateral, represented by cash deposits, financial instruments that meet certain requirements, and gold. These guarantees can be provided through pledge agreements, transfer of ownership with a guarantee function, repurchase agreements or securities lending arrangements. The Group has implemented systems to a) verify the acceptability of these guarantees and value the assets at the

time of acceptance and, where applicable, determine the haircuts to be applied to the collateral; and b) ensure the continuing compliance of the guarantees with eligibility requirements through continuous monitoring, governed and supported appropriately by internal procedures;

- master netting agreements that involve repurchase agreements, securities lending arrangements, loans with margins as well as OTC derivatives;
- on-balance-sheet netting;
- real estate mortgages and property lease transactions involving properties that have the characteristics required by law;

- unfunded credit protection, consisting of unsecured guarantees and credit derivatives.

Unsecured guarantees eligible for CRM purposes consist of all forms of credit protection provided by the entities (providers) specified in Article 201 of the CRR (central governments, central banks, international organizations, public sector entities, regional governments and local authorities, multilateral development banks, supervised intermediaries). Accordingly, guarantees issued by natural persons or legal entities not included in the list indicated in the legislation do not fall within the risk mitigation techniques for calculating capital requirements, but are not excluded from the Group's catalog of guarantees, which comprises not only the guarantees eligible for CRM purposes, but also guarantees not eligible for CRM purposes, as mentioned above.

Credit risk mitigation techniques may include guarantees provided by collective loan guarantee consortia in accordance with applicable regulations in the presence of suitable counter-guarantees (for example the Central Guarantee Fund for SMEs) for the portion they secure.

The different CRM techniques, whether funded or unfunded, are subject to both general and specific eligibility requirements that must be met at the time the guarantee is established and for the entire duration of the guarantee.

The general requirements, which are intended to ensure legal certainty and the effectiveness of the guarantees, mainly concern:

- the binding nature of the legal commitment between the parties and its enforceability in court;
- the technique used to provide the credit protection together with the actions and steps taken and procedures and policies implemented by the lending institution shall be such as to result in credit protection arrangements which are legally effective and enforceable in all relevant jurisdictions. The lending institution shall provide, upon request of the competent authority, the most recent version of the independent, written and reasoned legal opinion or opinions that it used to establish whether its credit protection arrangement or arrangements meet the condition laid down in the first subparagraph" (see Article 194 of the CRR);
- the lending institution shall take all appropriate steps to ensure the effectiveness of the credit protection arrangement and to address the risks related to that arrangement;
- the timeliness with which the guarantee may be liquidated in the event of default;
- the formalization of techniques and operating procedures adequate to ensure continuing compliance over time with the general and specific requirements required for CRM techniques. These procedures must be valid and applied by all Group companies in order to avoid possible inconsistencies in the assessment. Checks shall be carried out in relation to the current legal value of the documentation submitted, the impact of any changes in the regulatory framework and the consequent initiatives to be taken. Risks related to the ineffectiveness, reduction or termination of the protection ("residual risks") as well as valuation and potential concentration risks in respect of specific counterparties shall also be controlled and managed.

Specific requirements are established for the individual CRM techniques in relation to their features and are intended to ensure a high level of effectiveness of the credit protection.

3. IMPAIRED CREDIT EXPOSURES

3.1 MANAGEMENT STRATEGIES AND POLICIES

According to the EBA definition, non-performing exposures satisfy either or both of the following criteria:

- material exposures which are more than 90 days past-due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Impaired exposures are classified by increasing degree of severity in the following three categories:

- impaired past due and or overlimit exposures: exposures continuously past due or overlimit by more than 90 days in an amount exceeding the materiality thresholds (a relative materiality threshold equal to 1% of the entire exposure and an absolute materiality threshold of €100 or €500 for retail or corporate counterparties respectively;

- unlikely to pay (UTP) exposures: on- and off-balance sheet exposures for which the institution considers that the obligor is unlikely, without recourse to actions such as realizing security, to pay its credit obligations (principal and/or interest);
- default: on- and off-balance sheet exposures to an obligor in a state of insolvency (even if not declared by a court) or a substantially comparable situation, regardless of any expected loss.

The regulations also require that individual exposures, regardless of the classification of the counterparty, be identified as forborne exposures when they have been granted forbearance measures that meet the regulatory definition of such measures.

Such forborne exposures are in turned distinguished into:

- performing forborne, if the counterparty is classified as performing at the time the forbearance measures are granted and such measures do not require that the counterparty be classified differently;
- non-performing forborne, if the counterparty is already classified in one of the categories of non-performing at the time the forbearance measures are granted and such measures require that the counterparty be classified as non-performing.

Any other types of customer segmentation adopted by the affiliated banks and companies within the direct scope of consolidation for internal management purposes only (for example “watch list exposures”) in order to assess of specific situations, whether performed using automated system or manually, are mapped to the above categories, ensuring that the mapping method is immediately understandable and transparent.

In identifying forborne exposures, the regulations require a transaction-by-transaction approach, regardless of their classification (impaired past due and/or overlimit exposures, unlikely to pay exposures or defaults): although the state of financial difficulty must be ascertained at level of the debtor, only the exposures referred to the latter that have actually been granted forbearance measures must be classified as forborne.

These classification rules are further supplemented by that established in IFRS 9, according to which credit exposures must be allocated to three stages (for more details, see the previous discussion). Among impaired exposures, allocation to stage “3” is underscored, which occurs when the customer’s status changes to “non-performing”.

In organizational terms, the Group has governance and operational structures to enable the efficient and sustainable management of impaired loans. Specifically, the individual Group companies will implement their policies for the management and recovery of anomalous positions and NPLs by drafting of internal rules customized to reflect the characteristics of the territory in which they operate, the scale of operations, their business model and related organizational structure, always in compliance with the provisions of Group policy.

For the purposes of identifying non-performing exposures, the Group:

- applies a unified and harmonized definition of NPLs in all Group companies, consistent with the applicable regulatory provisions;
- considers legal and financial connections between counterparties and adopts a group perspective in identifying the exposure of a debtor as impaired (default propagation).

The Parent Company defines the strategy for managing non-performing exposures, which is approved and monitored by its Board of Directors. Specifically, the Parent Company defines the objectives in terms of reducing expected NPE levels at Group level and establishes, with the support of the Group companies, the objectives for the individual companies and the related management strategies to ensure a common commitment and a consistent approach to achieving the objectives. The implementation of the strategy is supported by the Parent Company through the delivery of specialized support services, the provision of tools to facilitate the uniform management of impaired positions and a Group operational plan, which is also approved by the Parent Company’s Board of Directors.

Furthermore, in order to enhance the commitment of the resources dedicated to the management of non-performing exposures in order to achieve the defined objectives, all Group companies have developed a system for measuring the performance of senior management and the organizational structures dedicated to management of non-performing exposures, which promotes, based on specific indicators, the commitment to managing such exposures.

In accordance with the principle of proportionality, the individual Group companies define their own performance evaluation and monitoring systems in line with Group policy. Specifically, it is considered necessary for Group companies to adopt performance indicators that take account of a set of quantitative and qualitative factors, including for example:

- developments in the stock of gross and net non-performing exposures, in line with the Group’s Strategic Plan;
- methods for applying forbearance measures;
- the total amount recovered on the loan portfolio with a focus on collections, liquidations and asset sales;
- the aging of positions by recovery management phases;
- the regular performance of agreed restructuring plans;
- the application of writeoffs;
- the reduction of arrears and the improvement of portfolio quality.

3.2 WRITEOFFS

Writeoff means the derecognition from the financial statements of a loan, or part of a loan, and the consequent recognition of a loss ascertainment that the exposure cannot be collected or it is uneconomic to continue any associated recovery activities under way. It may occur before the legal action to recover the financial assets are completed and does not necessarily entail waiver of the bank's right to the asset. A writeoff may be total, and therefore regard the entire amount of a financial, or partial (in all those cases in which the claim recognized is smaller than the carrying amount, for example in insolvency proceedings). The amount of the writeoff must always take account of any expenses, including legal costs, accrued and not yet invoiced at the time of analysis.

A writeoff involves:

- the reversal of total writedowns against the gross value of the financial asset;
- for any part exceeding total writedowns, the impairment loss on the financial asset is recognized directly in profit or loss.

Any recoveries from collection after the recognition of the writeoff are recognized in profit or loss as writebacks.

Writeoffs recognized for unrecoverability refer to cases in which the Bank is in possession of documentation certifying the significant probability that the loan may not be recovered, in whole or in part. Specifically, the irrecoverable status of the loan must be attested to by certain and specific circumstances, such as for example:

- the obligor, co-obligors and/or connected guarantors are untraceable or destitute;
- there has been no recovery from enforcement of guarantees or collateral and seizures;
- the period of limitations has passed;
- insolvency proceedings have been closed with incomplete restitution for the bank, in the absence of further guarantees that could be enforced;
- it is impossible to take further action in consideration of the overall financial position and income situation of the obligors and co-obligors (guarantors included);
- all legal or out-of-court actions have, following a careful examination of updated documentation (by way of partial example, commercial information, title searches, searches, etc.), already been carried out or are deemed inappropriate.

Writeoffs recognized because further action would be uneconomic occur when it is recognized, and can be demonstrated, that the costs related to the continuation of loan recovery actions (for example: legal, administrative and other costs) would exceed the value of the financial asset that is expected to be recovered.

3.3 FINANCIAL ASSETS PURCHASED OR ORIGINATED CREDIT-IMPAIRED

Financial assets purchased or originated credit impaired ("POCI") are credit exposures that are impaired upon initial recognition.

Such exposures may arise both from the purchase of impaired credit exposures from third parties or from the restructuring of impaired exposures that involved the grant of new financing that is significant in absolute or relative terms in proportion to the amount of the original exposure.

These exposures are subject to management, measurement and control in accordance with the principles discussed in the previous section of the consolidated notes to the financial statements. In particular, the expected credit losses recorded at initial recognition in the carrying amount of the instrument are reviewed periodically based on the processes described in the preceding sections.

The expected loss for these exposures is always calculated over their lifetime and the exposures are conventionally reported under stage 3, or stage 2 if, following an improvement in the credit quality of the counterparty since initial recognition, the assets are performing.

Such assets are never classified under stage 1 since the expected credit loss must be calculated on a lifetime basis.

4. FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND EXPOSURES GRANTED FORBEARANCE MEASURES

Renegotiations of financial instruments that result in a change in the contractual conditions may be associated with:

- commercial initiatives that may be defined specifically for each customer or applied to categories of customer, perhaps as a result of dedicated initiatives promoted by public bodies or banking associations;
- the renegotiation of financial instruments prompted by the debtor's financial difficulties (forbearance).

The key objective of granting forbearance measures is to pave the way for non-performing borrowers to exit their non-performing status, or to

prevent performing borrowers from reaching a non-performing status. Forbearance measures should always aim to return the exposure to a situation of sustainable repayment.

The status of forborne must be associated with the individual exposure. Accordingly, a forborne exposure can be classified as performing forborne or non-performing forborne depending on the status of the counterparty to which these exposures are attributable.

In order to classify new concessions granted to a customer as forbearance measures, the following must occur:

- compliance of the measures with the notion of “forbearance” provided for in Regulation (EU) 227/2015;
- the borrower must currently or prospectively be in a situation of financial difficulty at the date of the measure is approved.

The applicable regulations define the following concessions to be potentially identifiable as forbearance*:*

- contract modifications granted in favor of a debtor solely in consideration of the debtor’s financial difficulties;
- the grant of total or partial refinancing to a debtor in financial difficulties in order to enable the debtor to repay an existing obligation to the bank; this case also includes additional finance operations aimed at the completion-optimization of an existing obligation to the bank;
- contract modifications that can be requested by a debtor under the terms of a contract already agreed in the knowledge that the debtor is experiencing financial difficulties (embedded forbearance clauses).

Concessions qualifying as forbearance measures, regardless of the form adopted (renegotiation or refinancing) must therefore give the borrower more favorable treatment compared with to the contractual terms originally agreed with the Group company or compared with the terms conditions that would be granted to other borrowers with the same risk profile. Furthermore, they must be exclusively intended to enable the borrower to honor the new commitments and deadlines.

Contract modifications and renegotiations granted solely for commercial reasons/practice do not qualify as forbearance measures since, even though the modification may be a concession measure, the debtor is not experiencing financial difficulties. Debtors can always request modifications to the contractual terms of their loans without experiencing difficulty in meeting their financial obligations.

Loan moratoriums (payment holidays) granted without discrimination between type of obligation or debtor in order to support areas hit by natural disasters also do not qualify as forbearance measures.

Finally, the forbearance measures must always be financially sustainable for the debtor and not increase costs (main and ancillary), as this might qualify the transaction as usury (Article 644, third paragraph, of the Criminal Code).

Forbearance measures may be short- or long-term depending on the temporary or permanent nature of the financial difficulty. In particular, Short-term forbearance measures are defined as restructured repayment conditions of a temporary nature that do not address the resolution of outstanding arrears and generally do not exceed two years.

An assessment of the financial situation of the debtor should not be limited to exposures with apparent signs of financial difficulties. An assessment of financial difficulties should also be conducted for exposures where the debtor does not have apparent financial difficulties, but where market conditions have changed significantly in a way that could impact the ability to repay.

The assessment of any financial difficulties on the part of a debtor should be based on the situation of the debtor only, disregarding collateral or any guarantees provided by third parties. Furthermore, the notion of “debtor” should include all the natural and legal persons belonging to the debtor’s group: the assessment must comprise such persons in order to determine whether situations of difficulty at the group level could compromise the capacity of the debtor to fulfill its obligations to the Group lender.

QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 - IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR

A.1.1 - PRUDENTIAL CONSOLIDATION - DISTRIBUTION OF FINANCIAL ASSETS BY TIME PAST DUE (CARRYING AMOUNT)

	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	Up to 30 days	From 30 to 90 days	More than 90 days	Up to 30 days	From 30 to 90 days	More than 90 days	Up to 30 days	From 30 to 90 days	More than 90 days	Up to 30 days	From 30 to 90 days	More than 90 days
1. Financial assets measured at amortized cost	596,246	14,971	10,403	321,989	256,249	34,193	77,799	115,751	615,016	10	4	1,760
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	3,468	8,599	107,203	-	-	22
Total 31/12/2022	**596,246**	**14,971**	**10,403**	**321,989**	**256,249**	**34,193**	**81,267**	**124,350**	**722,219**	**10**	**4**	**1,782**
Total 31/12/2021	**1,063,193**	**23,852**	**19,815**	**400,846**	**176,811**	**38,303**	**132,774**	**137,891**	**1,201,509**	**1,385**	**-**	**4,269**

A.1.2 - PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: DEVELOPMENTS IN TOTAL WRITEDOWNS AND TOTAL PROVISIONS

	Total writedowns																	
	Stage 1						Stage 2						Stage 3					
	Demand claims on banks and central banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Demand claims on banks and central banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Demand claims on banks and central banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Opening balance	**1,609**	**508,296**	**2,303**	**3**	**5,051**	**507,157**	**1,453**	**736,487**	**8,259**	**677**	**12,336**	**734,541**	**-**	**4,029,638**	**-**	**-**	**3,914,296**	**115,343**
Increases in financial assets purchased or originated	-	2,852	797	-	-	3,649	-	3,451	342	-	-	3,793	-	-	-	-	-	-
Derecognition other than write-offs	(116)	(5,223)	(1,114)	-	-	(6,453)	(248)	(5,094)	(2,009)	-	-	(7,352)	-	(767,276)	-	(1,652)	(752,256)	(16,672)
Net writedowns/writebacks for credit risk	(787)	2,109	(99)	(3)	110	1,111	(778)	(144,147)	723	-	(461)	(143,740)	-	440,200	-	279,653	712,922	6,932
Contractual modifications without derecognition	-	(1)	-	-	-	(1)	-	-	-	-	-	-	-	841	-	-	841	-
Change in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	560	560	-
Writeoffs not recognized directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(833,338)	-	-	(821,899)	(11,439)
Other changes	(7)	3,916	54	-	(80)	4,043	(239)	(5,177)	1,012	-	(262)	(4,142)	-	(8,380)	-	35,178	26,142	656
Closing balance	**699**	**511,946**	**1,941**	**-**	**5,081**	**509,505**	**188**	**585,524**	**8,327**	**677**	**11,613**	**583,099**	**-**	**2,861,685**	**-**	**313,738**	**3,080,606**	**94,819**
Recoveries from collection on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	535	-	-	535	-
Writeoffs recognized directly through profit or loss	-	(94)	-	-	-	(94)	-	-	-	-	-	-	-	(16,855)	-	(7)	(16,249)	(613)

	Total writedowns					Total provisions for commitments to disburse funds and financial guarantees issued				
	Financial assets purchased or originated credit impaired									
	Financial assets measured at amortized cost	Financial assets measured at fair ...	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees purchased or originated credit	Total
Opening balance	**12,766**	**-**	**-**	**12,691**	**74**	**131,442**	**75,109**	**86,632**	**-**	**5,594,674**
Increases in financial assets purchased or originated	X	X	X	X	X	-	-	-	-	**7,442**
Derecognition other than write-offs	(1,052)	-	-	(1,034)	(18)	(8)	-	(5,759)	-	**(789,552)**
Net writedowns/writebacks for credit risk	839	-	-	797	42	18,932	(16,081)	11,164	-	**591,727**
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	**840**
Change in estimation method	-	-	-	-	-	-	-	-	-	**560**
Writeoffs not recognized directly through profit or loss	(308)	-	-	(308)	-	-	-	(884)	-	**(834,530)**
Other changes	(4,377)	-	-	(4,377)	-	(120)	(1,966)	(153)	-	**19,740**
Closing balance	**7,868**	**-**	**-**	**7,770**	**98**	**150,247**	**57,062**	**91,000**	**-**	**4,590,902**
Recoveries from collection on written-off financial assets	-	-	-	-	-	-	-	-	-	**535**
Writeoffs recognized directly through profit or loss	(8)	-	-	(8)	-	-	-	-	-	**(16,964)**

A.1.3 - CONSOLIDATION - FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)

	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortized cost	2,658,247	4,502,874	542,161	351,957	481,714	86,328
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	76	-	-	-
4. Commitments to disburse funds and financial guarantees issued	483,219	737,980	31,339	11,389	52,568	11,461
Total 31/12/2022	**3,141,466**	**5,240,854**	**573,576**	**363,346**	**534,282**	**97,789**
Total 31/12/2021	**10,179,488**	**5,810,197**	**1,389,683**	**689,395**	**809,706**	**143,241**

A.1.3A - LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS VALUES)

	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
A. Loans measured at amortized cost	**511,545**	**67,511**	**35,549**	**11,400**	**103,062**	**5,226**
A.1 Loans subject to forbearance measures compliant with guidelines	2,489	9,732	612	2,164	1,606	10
A.2 Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	297	1,344	355	4	160	10
A.3 Loans subject to other forbearance measures	11,597	1,053	29,827	3,272	1,198	289
A.4 New loans	497,162	55,382	4,754	5,960	100,098	4,917
B. Loans measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-
B.2 Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-
B.3 Loans subject to other forbearance measures	-	-	-	-	-	-
B.4 New loans	-	-	-	-	-	-
Total 31/12/2022	**511,545**	**67,511**	**35,549**	**11,400**	**103,062**	**5,226**
Total 31/12/2021	**812,755**	**62,527**	**68,606**	**6,536**	**75,082**	**4,621**

A.1.4 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. On-balance-sheet exposures												
A.1 Demand	**450,959**	**313,837**	**137,122**	**-**	**-**	**397**	**209**	**187**	**-**	**-**	**450,562**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	450,959	313,837	137,122	X	-	397	209	187	X	-	450,562	-
A.2 Other	**2,995,529**	**2,468,210**	**438,935**	**1,294**	**-**	**13,119**	**1,435**	**10,426**	**1,258**	**-**	**2,982,409**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to be repaid	1,294	X	-	1,294	-	1,258	X	-	1,258	-	36	-
- of which: forborne exposures	520	X	-	520	-	520	X	-	520	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	8	-	8	X	-	-	-	-	X	-	8	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing assets	2,994,227	2,468,210	438,927	X	-	11,861	1,435	10,426	X	-	2,982,366	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**3,446,488**	**2,782,047**	**576,057**	**1,294**	**-**	**13,516**	**1,644**	**10,613**	**1,258**	**-**	**3,432,971**	**-**
B. Off-balance-sheet exposures												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,729,203	587,027	48,454	X	-	81,864	79,898	1,966	X	-	2,647,339	-
Total (B)	**2,729,203**	**587,027**	**48,454**	**-**	**-**	**81,864**	**79,898**	**1,966**	**-**	**-**	**2,647,339**	**-**
Total (A+B)	**6,175,691**	**3,369,074**	**624,512**	**1,294**	**-**	**95,380**	**81,542**	**12,580**	**1,258**	**-**	**6,080,310**	**-**

* Values to be reported for information purposes

A.1.5 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs *
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. On-balance-sheet exposures												
a) Bad loans	1,639,846	X	-	1,634,506	5,316	1,348,884	X	-	1,344,688	4,196	290,962	454,641
- of which: forborne exposures	368,622	X	-	367,778	844	283,625	X	-	282,811	814	84,996	73,773
b) Unlikely to be repaid	2,684,871	X	-	2,678,895	5,976	1,728,546	X	-	1,724,570	3,976	956,325	30,944
- of which: forborne exposures	1,434,829	X	-	1,430,109	4,720	931,239	X	-	929,786	1,454	503,590	25,717
c) Impaired past due exposures	366,461	X	-	366,461	-	104,360	X	-	104,359	-	262,101	82
- of which: forborne exposures	54,067	X	-	54,067	-	13,029	X	-	13,029	-	41,038	70
d) Performing past due exposures	1,313,778	628,392	685,255	X	-	79,604	6,773	72,831	X	-	1,234,175	-
- of which: forborne exposures	150,671	3	150,669	X	-	20,453	-	20,453	X	-	130,219	-
e) Other performing assets	154,758,621	146,325,481	7,455,615	X	3,274	1,016,388	505,670	510,605	X	98	153,742,233	1,523
- of which: forborne exposures	2,076,066	3,928	2,071,512	X	626	172,000	116	171,786	X	98	1,904,066	215
Total (A)	**160,763,577**	**146,953,873**	**8,140,870**	**4,679,862**	**14,566**	**4,277,782**	**512,443**	**583,436**	**3,173,618**	**8,269**	**156,485,796**	**487,190**
B. Off-balance-sheet exposures												
a) Impaired	251,409	X	-	251,409	-	91,009	X	-	91,009	-	160,400	-
b) Performing	24,889,264	23,016,802	1,637,248	X	-	125,439	71,348	53,988	X	-	24,763,825	-
Total (B)	**25,140,673**	**23,016,802**	**1,637,248**	**251,409**	**-**	**216,448**	**71,348**	**53,988**	**91,009**	**-**	**24,924,225**	**-**
Total (A+B)	**185,904,250**	**169,970,675**	**9,778,118**	**4,931,271**	**14,566**	**4,494,230**	**583,791**	**637,424**	**3,264,627**	**8,269**	**181,410,021**	**487,190**

* Values to be reported for information purposes

A.1.5A LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs *
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. Bad loans	**15,470**	**-**	**-**	**15,470**	**-**	**10,867**	**-**	**-**	**10,867**	**-**	**4,604**	**-**
a) Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	571	-	-	571	-	436	-	-	436	-	135	-
c) Loans subject to other forbearance measures	12,234	-	-	12,234	-	9,130	-	-	9,130	-	3,104	-
d) New loans	2,665	-	-	2,665	-	1,301	-	-	1,301	-	1,364	-
B. Unlikely to pay	**188,153**	**-**	**-**	**188,153**	**-**	**98,765**	**-**	**-**	**98,765**	**-**	**89,388**	**7,361**
a) Loans subject to forbearance measures compliant with guidelines	2,910	-	-	2,910	-	2,099	-	-	2,099	-	810	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	681	-	-	681	-	411	-	-	411	-	270	-
c) Loans subject to other forbearance measures	71,818	-	-	71,818	-	43,381	-	-	43,381	-	28,437	7,361
d) New loans	112,745	-	-	112,745	-	52,874	-	-	52,874	-	59,870	-
C. Impaired past due	**43,947**	**-**	**-**	**43,947**	**-**	**10,476**	**-**	**-**	**10,469**	**-**	**33,471**	**-**
a) Loans subject to forbearance measures compliant with guidelines	90	-	-	90	-	52	-	-	52	-	38	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	289	-	-	289	-	54	-	-	54	-	235	-
c) Loans subject to other forbearance measures	1,797	-	-	1,797	-	789	-	-	789	-	1,008	-
d) New loans	41,770	-	-	41,770	-	9,580	-	-	9,574	-	32,190	-
D. Performing past-due	**105,120**	**45,067**	**60,053**	**-**	**-**	**3,900**	**130**	**3,771**	**-**	**-**	**101,220**	**-**
a) Loans subject to forbearance measures compliant with guidelines	605	-	605	-	-	22	-	22	-	-	582	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Loans subject to other forbearance measures	6,484	442	6,042	-	-	884	10	874	-	-	5,600	-
d) New loans	98,031	44,625	53,406	-	-	2,994	120	2,875	-	-	95,037	-
E. Other performing	**8,545,998**	**7,793,180**	**752,817**	**-**	**-**	**48,806**	**18,859**	**29,947**	**-**	**-**	**8,497,192**	**-**
a) Loans subject to forbearance measures compliant with guidelines	31,221	19,831	11,390	-	-	932	242	690	-	-	30,290	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	29,622	28,399	1,223	-	-	442	417	25	-	-	29,181	-
c) Loans subject to other forbearance measures	203,856	25,249	178,607	-	-	15,308	577	14,731	-	-	188,547	-
d) New loans	8,281,299	7,719,701	561,598	-	-	32,124	17,623	14,502	-	-	8,249,174	-
Total (A+B+C+D+E)	**8,898,689**	**7,838,247**	**812,871**	**247,570**	**-**	**172,814**	**18,989**	**33,718**	**120,100**	**-**	**8,725,875**	**7,361**

A.1.6 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS IMPAIRED POSITIONS

	Bad loans	Unlikely to pay	Impaired past-due
A. Opening gross exposure	**16**	**1,292**	**-**
- of which: exposures assigned but not derecognized	-	-	-
B. Increases	**-**	**2**	**-**
B.1 from performing exposures	-	-	-
B.2 from purchased or originated impaired financial assets	-	-	-
B.3 from other categories of impaired exposures	-	-	-
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	-	2	-
C. Decreases	**16**	**-**	**-**
C.1 to performing exposures	-	-	-
C.2 writeoffs	-	-	-
C.3 collections	16	-	-
C.4 realization from disposal	-	-	-
C.5 losses on disposals	-	-	-
C.6 to other categories of impaired exposures	-	-	-
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	-	-	-
D. Closing gross exposure	**-**	**1,294**	**-**
- of which: exposures assigned but not derecognized	-	-	-

A.1.6 BIS - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

	Impaired forborne exposures	Performing forborne exposures
A. Opening gross exposure	**519**	**-**
- of which: exposures assigned but not derecognized	-	-
B. Increases	**1**	**-**
B.1 from performing exposures with no forbearance	-	-
B.2 from performing exposures with forbearance	-	X
B.3 from impaired exposures with forbearance	X	-
B.4 from impaired exposures with no forbearance	-	-
B.5 other increases	1	-
C. Decreases	**-**	**-**
C.1 to performing exposures with no forbearance	X	-
C.2 to performing exposures with forbearance	-	X
C.3 to impaired exposures with forbearance	X	-
C.4 writeoffs	-	-
C.5 collections	-	-
C.6 realization from disposal	-	-
C.7 losses on disposals	-	-
C.8 other decreases	-	-
D. Closing gross exposure	**520**	**-**
- of which: exposures assigned but not derecognized	-	-

A.1.7 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

	Bad loans	Unlikely to pay	Impaired past-due
A. Opening gross exposure	**2,834,555**	**3,191,275**	**420,830**
- of which: exposures assigned but not derecognized	10,224	31,638	3,531
B. Increases	**741,633**	**1,025,475**	**290,130**
B.1 from performing exposures	139,497	736,939	264,011
B.2 from purchased or originated impaired financial assets	69	-	-
B.3 from other categories of impaired exposures	490,941	107,309	2,164
B.4 contractual modifications without derecognition	-	9	-
B.5 other increases	111,125	181,218	23,955
C. Decreases	**1,936,341**	**1,531,879**	**344,499**
C.1 to performing exposures	113	376,281	128,249
C.2 writeoffs	809,967	42,133	1,787
C.3 collections	467,068	559,363	66,959
C.4 realized on disposals	164,993	37,392	132
C.5 losses on disposals	90,719	30,459	-
C.6 to other categories of impaired exposures	1,311	453,278	145,825
C.7 contractual modifications without derecognition	-	74	-
C.8 other decreases	402,170	32,898	1,546
D. Closing gross exposure	**1,639,847**	**2,684,871**	**366,461**
- of which: exposures assigned but not derecognized	7,008	17,469	1,121

A.1.7 BIS - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

	Impaired forborne exposures	Performing forborne exposures
A. Opening gross exposure	**2,499,573**	**2,584,560**
- of which: exposures assigned but not derecognized	52,418	74,384
B. Increases	**556,603**	**808,289**
B.1 from performing exposures with no forbearance	77,733	505,214
B.2 from performing exposures with forbearance	270,061	X
B.3 from impaired exposures with forbearance	X	262,060
B.4 from impaired exposures with no forbearance	27,903	1
B.5 other increases	180,907	41,013
C. Decreases	**1,198,658**	**1,166,112**
C.1 to performing exposures with no forbearance	X	428,119
C.2 to performing exposures with forbearance	262,060	X
C.3 to impaired exposures with forbearance	X	270,061
C.4 writeoffs	129,939	1,609
C.5 collections	479,811	413,267
C.6 realization from disposal	84,805	7,515
C.7 losses on disposals	37,182	-
C.8 other decreases	204,862	45,541
D. Closing gross exposure	**1,857,518**	**2,226,738**
- of which: exposures assigned but not derecognized	29,926	17,807

A.1.8 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO BANKS: CHANGE IN TOTAL ADJUSTMENTS

	Bad loans		Unlikely to be repaid		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**-**	**-**	**1,072**	**517**	**-**	**-**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-
B. Increases	**-**	**-**	**187**	**3**	**-**	**-**
B.1 writedowns of purchased or originated credit-impaired assets	-	X	-	X	-	X
B.2 other writedowns	-	-	187	3	-	-
B.3 losses on disposal	-	-	-	-	-	-
B.4 from other categories of impaired positions	-	-	-	-	-	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 writebacks from valuations	-	-	-	-	-	-
C.2 writebacks from collections	-	-	-	-	-	-
C.3 gains on disposal	-	-	-	-	-	-
C.4 writeoffs	-	-	-	-	-	-
C.5 to other categories of impaired positions	-	-	-	-	-	-
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	-	-	-	-	-	-
D. Total closing adjustments	**-**	**-**	**1,258**	**520**	**-**	**-**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-

A.1.9 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO CUSTOMERS: CHANGE IN TOTAL ADJUSTMENTS

	Bad loans		Unlikely to be repaid		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**2,234,340**	**386,766**	**1,718,628**	**989,334**	**88,131**	**12,488**
- of which: exposures assigned but not derecognized	7,705	481	13,927	6,213	225	1
B. Increases	**803,859**	**244,425**	**855,446**	**389,899**	**94,405**	**13,109**
B.1 writedowns of purchased or originated credit-impaired assets	526	X	-	X	-	X
B.2 other writedowns	383,013	88,857	792,103	341,229	89,459	11,686
B.3 losses on disposal	46,960	21,061	7,348	2,474	-	-
B.4 from other categories of impaired positions	258,759	111,460	24,716	4,348	1,380	774
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	114,600	23,045	31,279	41,848	3,566	649
C. Decreases	**1,689,314**	**347,565**	**845,528**	**447,994**	**78,176**	**12,568**
C.1 writebacks from valuations	97,046	21,059	108,605	65,761	7,572	982
C.2 writebacks from collections	235,248	54,387	226,607	111,190	9,913	2,181
C.3 gains on disposal	58,613	19,678	13,598	9,036	58	-
C.4 writeoffs	809,967	104,557	42,133	25,312	1,787	70
C.5 to other categories of impaired positions	406	-	250,001	110,980	34,448	5,603
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	488,035	147,884	204,585	125,714	24,398	3,733
D. Total closing adjustments	**1,348,884**	**283,625**	**1,728,546**	**931,239**	**104,360**	**13,029**
- of which: exposures assigned but not derecognized	5,053	392	6,514	1,472	219	68

A.2 - CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

A.2.1 - PRUDENTIAL CONSOLIDATION - DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES (GROSS VALUES)

	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**604,727**	**128,631**	**60,789,429**	**608,034**	**623,825**	**3,998**	**91,663,317**	**154,421,961**
- Stage 1	545,369	40,944	59,748,857	391,578	554,045	829	80,463,591	141,745,213
- Stage 2	59,358	85,277	1,031,563	216,456	69,779	3,168	6,978,661	8,444,263
- Stage 3	-	2,410	9,009	-	-	-	4,215,095	4,226,514
- purchased or originated credit-impaired assets	-	-	-	-	-	-	5,971	5,971
B. Financial assets measured at fair value through other comprehensive income	**178,981**	**35,999**	**7,427,180**	**85,072**	**15,110**	**5,416**	**74,068**	**7,821,826**
- Stage 1	175,645	35,999	7,405,372	23,309	767	-	40,773	7,681,867
- Stage 2	3,335	-	21,807	61,755	14,343	5,416	33,269	139,926
- Stage 3	-	-	-	7	-	-	26	33
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**460,582**	**460,582**
- Stage 1	-	-	-	-	-	-	1	1
- Stage 2	-	-	-	-	-	-	1	1
- Stage 3	-	-	-	-	-	-	460,157	460,157
- purchased or originated credit-impaired assets	-	-	-	-	-	-	424	424
Total (A+B+C)	**783,708**	**164,630**	**68,216,609**	**693,106**	**638,935**	**9,414**	**92,197,968**	**162,704,369**
D. Commitments to disburse funds and financial guarantees issued	**113,358**	**28,010**	**1,150,286**	**4,950**	**143**	**1,499**	**24,380,413**	**25,678,657**
- Stage 1	100,294	20,094	1,026,190	4,743	-	1,499	22,584,353	23,737,171
- Stage 2	13,064	7,916	124,048	207	143	-	1,544,700	1,690,078
- Stage 3	-	-	49	-	-	-	251,360	251,409
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
Total (D)	**113,358**	**28,010**	**1,150,286**	**4,950**	**143**	**1,499**	**24,380,413**	**25,678,657**
Total (A+B+C+D)	**897,066**	**192,975**	**69,366,895**	**698,055**	**639,078**	**10,913**	**116,578,380**	**188,383,026**

A.2.2 - PRUDENTIAL CONSOLIDATION - DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY INTERNAL RATING GRADES (GROSS VALUES)

	Internal rating grades							
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 7	Class 8
A. Financial assets measured at amortized cost	**3,943,071**	**12,216,202**	**17,949,052**	**13,794,687**	**8,049,244**	**5,821,372**	**3,932,924**	**1,807,319**
- Stage 1	3,900,726	12,029,407	17,532,944	13,257,904	7,590,481	5,215,974	3,183,710	1,178,833
- Stage 2	42,346	186,783	416,075	536,207	458,465	592,817	748,577	627,685
- Stage 3	-	13	1	436	189	12,582	638	456
- purchased or originated credit-impaired assets	-	-	32	140	110	-	-	344
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**3,943,071**	**12,216,202**	**17,949,052**	**13,794,687**	**8,049,244**	**5,821,372**	**3,932,924**	**1,807,319**
D. Commitments to disburse funds and financial guarantees issued	**485,694**	**855,232**	**923,445**	**803,915**	**252,884**	**402,307**	**225,193**	**126,279**
- Stage 1	484,081	844,438	896,195	779,481	240,946	375,902	200,550	98,949
- Stage 2	1,613	10,795	27,245	24,295	11,938	25,039	24,642	27,330
- Stage 3	-	-	6	139	-	1,367	1	-
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
Total (D)	**485,694**	**855,232**	**923,445**	**803,915**	**252,884**	**402,307**	**225,193**	**126,279**
Total (A+B+C)	**4,428,765**	**13,071,435**	**18,872,497**	**14,598,602**	**8,302,129**	**6,223,680**	**4,158,117**	**1,933,598**

	Internal rating grades						Not rated	Total (A+B+C+D)
	Class 9	Class 10	Class 11	Class 12	Class 13	Class 14		
A. Financial assets measured at amortized cost	**817,255**	**542,893**	**328,031**	**211,380**	**-**	**-**	**85,008,530**	**154,421,961**
- Stage 1	362,685	28,728	5,756	4,947	-	-	77,453,119	141,745,213
- Stage 2	454,503	513,209	321,555	205,505	-	-	3,340,537	8,444,263
- Stage 3	67	956	720	928	-	-	4,209,530	4,226,514
- purchased or originated credit-impaired assets	-	-	-	-	-	-	5,345	5,971
B. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**7,821,826**	**7,821,826**
- Stage 1	-	-	-	-	-	-	7,681,867	7,681,867
- Stage 2	-	-	-	-	-	-	139,926	139,926
- Stage 3	-	-	-	-	-	-	33	33
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**460,582**	**460,582**
- Stage 1	-	-	-	-	-	-	1	1
- Stage 2	-	-	-	-	-	-	1	1
- Stage 3	-	-	-	-	-	-	460,157	460,157
- purchased or originated credit-impaired assets	-	-	-	-	-	-	424	424
Total (A+B+C)	**817,255**	**542,893**	**328,031**	**211,380**	**-**	**-**	**93,290,938**	**162,704,369**
D. Commitments to disburse funds and financial guarantees issued	**56,675**	**21,749**	**9,401**	**14,531**	**-**	**-**	**21,501,351**	**25,678,657**
- Stage 1	31,118	2,742	700	202	-	-	19,781,869	23,737,171
- Stage 2	25,557	18,979	8,700	14,329	-	-	1,469,616	1,690,078
- Stage 3	-	28	1	-	-	-	249,867	251,409
- purchased or originated credit-impaired assets	-	-	-	-	-	-	-	-
Total (D)	**56,675**	**21,749**	**9,401**	**14,531**	**-**	**-**	**21,501,351**	**25,678,657**
Total (A+B+C)	**873,930**	**564,642**	**337,432**	**225,911**	**-**	**-**	**114,792,289**	**188,383,026**

A.3 - DISTRIBUTION OF SECURED CREDIT EXPOSURES BY TYPE OF GUARANTEE

A.3.1 - PRUDENTIAL CONSOLIDATION – ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO BANKS

			Collateral (1)				Unsecured guarantees (2)									
							Credit derivatives					Guarantees				Total (1)+(2)
								Other derivatives								
	Gross exposure	Net exposure	Properties -	Properties - Finance leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Government entities	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures:	**71,317**	**70,402**	**-**	**-**	**62,018**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**482**	**-**	**7,902**	**70,402**
1.1 fully secured	71,272	70,365	-	-	62,018	-	-	-	-	-	-	-	482	-	7,865	70,365
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	45	37	-	-	-	-	-	-	-	-	-	-	-	-	37	37
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance-sheet credit exposures:	**341**	**338**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**147**	**-**	**144**	**291**
2.1 fully secured	211	211	-	-	-	-	-	-	-	-	-	-	67	-	144	211
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	130	127	-	-	-	-	-	-	-	-	-	-	80	-	-	80
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 - PRUDENTIAL CONSOLIDATION – ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO CUSTOMERS

			Collateral (1)				Unsecured guarantees (2)									
							Credit derivatives					Guarantees				
								Other derivatives								
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Finance leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Government entities	Banks	Other financial companies	Other	Total (1)+(2)
1. Secured on-balance-sheet credit exposures:	**82,680,076**	**79,049,662**	**48,510,387**	**2,182,819**	**1,159,862**	**2,106,285**	**45,068**	**-**	**-**	**-**	**-**	**14,791,335**	**127,715**	**378,531**	**8,171,052**	**77,473,054**
1.1 fully secured	73,852,301	70,561,461	47,964,127	2,146,939	1,066,147	1,940,192	45,068	-	-	-	-	9,192,893	90,812	267,249	7,748,592	70,462,020
- of which: impaired	3,809,241	1,301,002	958,518	79,806	9,803	17,772	133	-	-	-	-	140,899	802	10,736	82,165	1,300,634
1.2 partially secured	8,827,776	8,488,201	546,260	35,880	93,715	166,093	-	-	-	-	-	5,598,441	36,903	111,281	422,460	7,011,034
- of which: impaired	408,539	126,695	37,118	-	650	2,689	-	-	-	-	-	70,468	73	2,597	7,173	120,767
2. Secured off-balance-sheet credit exposures:	**9,894,398**	**9,811,210**	**6,078**	**-**	**790,248**	**310,407**	**-**	**-**	**-**	**-**	**38**	**702,575**	**27,766**	**46,412**	**7,504,999**	**9,388,524**
2.1 fully secured	6,653,683	6,614,583	6,077	-	770,148	263,574	-	-	-	-	-	187,171	6,497	20,366	5,360,572	6,614,405
- of which: impaired	53,437	26,121	205	-	126	1,983	-	-	-	-	-	2,030	175	498	21,011	26,028
2.2 partially secured	3,240,715	3,196,628	1	-	20,100	46,833	-	-	-	-	38	515,404	21,269	26,046	2,144,426	2,774,119
- of which: impaired	75,524	57,307	1	-	50	685	-	-	-	-	-	7,827	15	485	45,197	54,260

A.4 - PRUDENTIAL CONSOLIDATION - FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH ENFORCEMENT OF GUARANTEES RECEIVED

	Derecognized credit exposure	Gross value	Total writedowns	Carrying amount	
					of which obtained during the year
A. Property, plant and equipment	**88,261**	**96,815**	**22,533**	**74,282**	**2,935**
A.1. Used in operations	452	1,315	61	1,254	220
A.2. Investment property	41,473	47,998	10,418	37,580	1,546
A.3. Inventories	46,336	47,502	12,055	35,447	1,170
B. Equity and debt securities	**-**	**-**	**-**	**-**	**-**
C. Other assets	**-**	**-**	**-**	**-**	**-**
D. Non-current assets and disposal groups held for sale	**5,639**	**8,257**	**412**	**7,844**	**942**
D.1. Property, plant and equipment	5,639	8,257	412	7,844	942
D.2. Other assets	-	-	-	-	-
Total 31/12/2022	**93,900**	**105,072**	**22,946**	**82,126**	**3,877**
Total 31/12/2021	**90,440**	**110,677**	**18,111**	**92,566**	**2,686**

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR

	Government entities		Financial companies		Financial companies (of which: insurance undertakings)	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance sheet						
A.1 Bad loans	16	-	172	5,456	-	-
- of which: forborne exposures	-	-	56	3,926	-	-
A.2 Unlikely to be repaid	13	87	14,019	14,088	-	-
- of which: forborne exposures	-	-	6,632	5,026	-	-
A.3 Impaired past due exposures	66	45	610	149	-	-
- of which: forborne exposures	-	-	22	1	-	-
A.4 Performing exposures	63,183,049	19,062	6,034,003	89,069	151,435	-
- of which: forborne exposures	10,232		19,345	635	-	-
Total (A)	**63,183,144**	**19,193**	**6,048,805**	**108,762**	**151,435**	**-**
B. Off-balance sheet						
B.1 Impaired exposures	1,977	21	2,154	366	-	-
B.2 Performing exposures	1,045,888	844	1,254,944	2,636	-	-
Total (B)	**1,047,865**	**865**	**1,257,098**	**3,002**	**-**	**-**
Total (A+B) 31/12/2022	**64,231,009**	**20,058**	**7,305,903**	**111,764**	**151,435**	**-**
Total (A+B) 31/12/2021	**67,271,867**	**22,580**	**6,133,155**	**125,742**	**147,222**	**-**

	Non-financial companies		Households	
	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance sheet				
A.1 Bad loans	184,927	907,550	105,846	435,878
- of which: forborne exposures	55,866	181,498	29,074	98,201
A.2 Unlikely to be repaid	556,809	1,210,501	385,484	503,871
- of which: forborne exposures	296,057	665,936	200,901	260,277
A.3 Impaired past due exposures	103,966	40,566	157,459	63,600
- of which: forborne exposures	17,557	6,128	23,459	6,901
A.4 Performing exposures	42,275,333	556,039	43,490,772	431,822
- of which: forborne exposures	1,265,566	141,011	739,143	50,453
Total (A)	**43,121,035**	**2,714,656**	**44,139,562**	**1,435,170**
B. Off-balance sheet				
B.1 Impaired exposures	138,235	83,103	18,034	7,519
B.2 Performing exposures	18,761,649	100,916	3,506,923	21,043
Total (B)	**18,899,884**	**184,019**	**3,524,956**	**28,562**
Total (A+B) 31/12/2022	**62,020,918**	**2,898,675**	**47,664,518**	**1,463,733**
Total (A+B) 31/12/2021	**62,264,373**	**3,666,941**	**45,921,070**	**1,690,622**

B.2 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

			Italy		Other European countries		Americas	
			Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet								
A.1 Bad loans			290,531	1,346,101	319	2,391	27	203
A.2 Unlikely to be repaid			955,431	1,724,439	702	1,432	127	294
A.3 Impaired past due exposures			256,890	104,177	943	140	64	25
A.4 Performing exposures			153,557,780	1,086,972	1,221,307	7,617	135,820	1,241
		Total A	**155,060,633**	**4,261,690**	**1,223,271**	**11,580**	**136,038**	**1,763**
B. Off-balance-sheet								
B.1 Impaired exposures			157,953	90,997	25	12	4	-
B.2 Performing exposures			24,468,539	122,343	92,565	2,355	2,590	39
		Total (B)	**24,626,492**	**213,340**	**92,590**	**2,367**	**2,594**	**39**
	Total (A+B)	**31/12/2022**	**179,687,125**	**4,475,030**	**1,315,861**	**13,947**	**138,632**	**1,802**
	Total (A+B)	**31/12/2021**	**180,642,467**	**5,481,170**	**745,425**	**16,850**	**122,418**	**4,820**

			Asia		Rest of the world	
			Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet						
A.1 Bad loans			-	-	84	189
A.2 Unlikely to be repaid			62	2,379	3	2
A.3 Impaired past due exposures			-	-	4,205	17
A.4 Performing exposures			11,685	82	56,565	80
		Total A	**11,747**	**2,461**	**60,857**	**289**
B. Off-balance-sheet						
B.1 Impaired exposures			2,410	-	7	-
B.2 Performing exposures			1,521	-	4,189	702
		Total (B)	**3,931**	**-**	**4,196**	**702**
	Total (A+B)	**31/12/2022**	**15,677**	**2,461**	**65,053**	**991**
	Total (A+B)	**31/12/2021**	**50,582**	**2,573**	**29,569**	**472**

B.3 - PRUDENTIAL CONSOLIDATION - ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

	Italy		Other European countries		Americas	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet						
A.1 Bad loans	-	-	-	-	-	-
A.2 Unlikely to be repaid	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-
A.4 Performing exposures	3,054,896	10,707	250,533	246	58,097	1,276
Total (A)	**3,054,896**	**10,707**	**250,533**	**246**	**58,097**	**1,276**
B. Off-balance-sheet						
B.1 Impaired exposures	-	-	-	-	-	-
B.2 Performing exposures	2,274,180	81,853	367,432	3	627	7
Total (B)	**2,274,180**	**81,853**	**367,432**	**3**	**627**	**7**
Total (A+B) 31/12/2022	**5,329,076**	**92,560**	**617,965**	**249**	**58,724**	**1,283**
Total (A+B) 31/12/2021	**11,407,370**	**84,551**	**536,799**	**2,260**	**25,540**	**688**

	Asia		Rest of the world	
	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet				
A.1 Bad loans	-	-	-	-
A.2 Unlikely to be repaid	-	-	36	1,258
A.3 Impaired past due exposures	-	-	-	-
A.4 Performing exposures	4,562	2	64,848	27
Total (A)	**4,562**	**2**	**64,884**	**1,285**
B. Off-balance-sheet				
B.1 Impaired exposures	-	-	-	-
B.2 Performing exposures	4,116	1	48	-
Total (B)	**4,116**	**1**	**48**	**-**
Total (A+B) 31/12/2022	**8,678**	**2**	**64,932**	**1,285**
Total (A+B) 31/12/2021	**2,958**	**6**	**24,156**	**1,470**

B.4 LARGE EXPOSURES

The rules governing the concentration of exposures define a large exposure as one to a customer or group of connected customers that (regardless of the weighted position) is equal to or greater than 10% of the eligible capital of the reporting entity. In addition, at the consolidated level, reporting entities must report:

- the ten largest exposures to exposures to government agencies and the ten largest exposures to unregulated entities operating in the financial sector;
- exposures equal to or greater than €300 million but less than 10% of the entity's Tier 1 capital.

The following reports exposures associated with individual positions or groups of connected customers included in the report of large exposures.

The following represents the situation at December 31, 2022:

- number of positions: 30;
- value of exposure: €88,316 million;
- weighted value: €2,799 million.

C. SECURITIZATIONS

QUALITATIVE DISCLOSURES

In accordance with the definitions provided for in prudential regulations, the Group operates in the securitization market as both an originator, through the assignment of loans to special purpose vehicles (SPVs) for the issue of notes in its own securitizations, and an investor, subscribing the notes issued by third parties in their securitizations.

Own securitizations can be broken down as follows:

- securitization transactions whose notes are placed in whole or in part on the market and originated in order to generate economic benefits from the optimization of the loan portfolio, the diversification of funding sources, the reduction of their cost and the alignment the natural maturities of assets with those of liabilities (securitizations in the strict sense);
- securitization transactions whose notes are retained entirely by the originator and are intended to diversify and leverage available funding tools, through the transformation of the assigned loans into refinanceable securities (self-securitizations). Self-securitization transactions are part of the more general policy of strengthening the Group's liquidity position and do not form part of securitizations in the strict sense since they do not transfer risks outside the Group. For this reason, qualitative information and numerical data on these operations are not included in this section, in accordance with the Bank of Italy instructions contained in Circular 262/2005.

OWN SECURITIZATIONS

The following provides disclosures on own securitizations carried out by the Group and still outstanding at the reporting date, distinguishing between operations carried out during the year and those carried out in previous years.

OWN SECURITIZATIONS CARRIED OUT DURING THE YEAR

"GACS VI" SECURITIZATION

In May 2022 a multi-originator securitization of a portfolio of bad loans was completed with the presentation to the Ministry for the Economy and Finance (MEF) of a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitizations of Bad Loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018 and subsequently amended by Law 41 of May 20, 2019 ratifying Decree Law 22 of March 25, 2019 with amendments and the extension decree of the MEF of July 15, 2021.

The operation involved Iccrea Banca (participating as assignor, promotor and joint arranger), Iccrea BancaImpresa, Banca Sviluppo, Mediocredito FVG, and 63 other mutual banks belonging to the ICBG and three banks not belonging to the Group (Banca Valsabbina, Banca di Credito Popolare and Cassa di Risparmio di Asti in the sale pursuant to Law 130 of April 30, 1999 of the same number of portfolios of unsecured loans and mortgage loans, mainly backed by first mortgages, classified as bad loans at the date of sale, and receivables in respect of finance leases due to debtors classified as bad loans for a total of about €644.5 million at the date of the transaction took financial effect, to a specifically established securitization vehicle company called "BCC NPLs 2022 Srl", which simultaneously granted a management engagement to a third-party servicer independent of the ICBG.

The transaction was carried out with the aim of reducing the stock of bad loans, thereby decreasing their impact on total assets and, consequently, improving the company risk profile. The securitization mechanism and the State guarantee on the senior class, which made it possible to obtain a higher transfer value than an ordinary market transaction, also made it possible to limit the impact of the disposal.

On May 2, 2022, the SPV purchased the portfolio from the assignor banks, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of €168 million, divided into the classes indicated below:

- €142 million of Senior Notes, maturing in January 2047, rated Baa1 (sf) and BBB (sf) respectively by Moody's Italia Srl and ARC Ratings;
- €19.5 million of Mezzanine Notes, maturing in January 2047 and not rated;
- €6.5 million of Junior Notes, maturing in January 2047 and not rated.

The securities are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and

creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors on May 10, 2022.

At closing, the SPV also entered into a hedging arrangement with two non-ICBG operators to cover the interest rate risk present in the structure with a cap option on rates for an initial amount equal to the overall nominal value of the senior and mezzanine notes and an amortization plan in line with that envisaged in the notes.

The following table summarizes the amount and annual rates of the notes issued:

Tranche	Amount issued (€/million)	Rate
Senior Notes	142.0	Euribor 6m + 0.50%
Mezzanine Notes	19.5	Euribor 6m + 9.50%
Junior Notes	6.5	15% + *Class J Notes Variable Return*
Total	**168.0**	

In addition, as part of the transaction a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the costs of the operation and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, equal to €4.6 million, of which €4.2 million granted by Iccrea Banca and the remainder by Banca Valsabbina, Cassa di Risparmio di Asti and Banca di Credito Popolare. In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The transaction is structured in such a way so that the senior notes can benefit from the State guarantee referred to earlier, pending the deconsolidation by the assignor banks of the loans involved in the transaction in accordance with the IAS/IFRS. In order to obtain admission to the state guarantee scheme, Iccrea Banca – under a specific delegation from the assignor banks – submitted an application to the MEF on May 6, 2002. The State guarantee was issued with a measure dated June 10, 2022.

The following table shows the positions in respect of the securitization held by the Group at December 31, 2022.

Class	Nominal amount (€/millions)	Carrying amount (€/millions)
Class A	142.0	142.0
Class B	1.1	0.2
Class C	0.4	-
Limited-recourse loan	4.2	4.2

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors, as supported by a legal opinion issued on May 10, 2022;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - optional redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - redemption for tax reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws). Note that the SPV may also redeem the notes by way of the full or partial transfer to third parties of the portfolio of bad loans through a competitive auction. The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead. In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: i) the aggregate cumulative collections for the period immediately preceding the calculation are 90% lower than the expected collections envisaged for the same date in the securitization contracts; ii) interest is not paid on the Class A notes; iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 90%. In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

The derecognition of the bad loans took place following the sale of the mezzanine and junior tranches to a third-party investor in respect of the

bank and the Group. The investor subscribed i) 94.22% of the principal of the mezzanine notes on the issue date at a price equal to 21.21% of the relative principal amount and ii) 94.23% of the principal of the junior notes on the issue date at a price equal to 0.00003% of the relative principal amount.

With regard to the accounting treatment of the transaction, paragraph 3.2.12 of IFRS 9 provides that on derecognition of the financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss for the year.

Consequently, at the conclusion of the transaction, each assignor:

- derecognized the loans involved in the assignment;
- recognized in the income statement under item "100 - Gain (loss) on the disposal or repurchase of financial assets measured at amortized cost" the overall capital loss of €2.2 million, determined as the difference between the gross aggregate value at the date of assignment of the loans, less cumulative writedowns at the date of transfer of legal title of the loans to the SPV and inclusive of any collections on the loans attributable to the SPV at the assignment date (about €133.3 million at the consolidated level) and the consideration received (equal to about €131.1 million at the consolidated level), equal to the sum of liquidity and the senior, mezzanine and junior securities;
- recognized in its balance sheet the senior, mezzanine and junior notes subscribed at their fair value for a total consolidated value of €128.6 million in senior notes and €219.7 million in junior notes.

In view of the intention to continue holding the senior notes, they were assigned to the held-to-collect (HTC) business model. Taking account of the fact that the SPPI test was passed, this enabled measurement at amortized cost, using the effective interest rate method. The placement fees for the senior notes have been added to the value of the securities and are released progressively through profit or loss over the expected life of the notes using the effective interest rate (IRR).

The mezzanine and junior notes subscribed by the bank were also assigned to the HTC business model, as they are being held on a permanent basis in compliance with the retention rule. As they did not pass the SPPI test, the mezzanine and junior securities are measured at FVTPL.

The placement fees for the mezzanine and junior notes and the structuring fees were recognized through profit or loss.

OWN SECURITIZATIONS CARRIED OUT IN PREVIOUS YEARS

"GACS I" SECURITIZATION

In June 2018, the Group undertook the first securitization involving non-performing loans that qualified for the State guarantee mechanism for the liabilities issued (the so-called "GACS" mechanism) pursuant to Decree Law 18 of February 14, 2016, with a view to reducing Bank's the stock of bad loans and, consequently, improve the company risk profile.

The transaction saw Iccrea Banca participate as promoter and joint arranger (together with JP Morgan Securities Limited) and 23 other banks (including 21 mutual banks, Iccrea BancaImpresa and Banca Sviluppo) as assignors of the same number of portfolios of non-performing unsecured and mortgage loans, mainly secured by first mortgages, with a total carrying amount of €1,046 billion.

The exposures were assigned to a special purpose securitization vehicle denominated "BCC NPLs 2018 Srl", with the simultaneous grant of a servicing contract by the latter to a third-party servicer independent of the assignors.

As part of the transaction, the special purpose vehicle acquired the portfolio from the assignor banks, financing the purchase by issuing (on July 10, 2018) asset-backed securities not listed on any regulated market with a total nominal value of about €323.9 million, divided into the following classes:

- €282 million of senior notes, corresponding to 26.95% of the value of the assigned loans, which have been assigned an investment grade rating of Baa3 by Moody's and BBB- by Scope Rating, subscribed by the assignors in proportion to the exposures assigned;
- €31.4 million of mezzanine notes, corresponding to 3% of the value of the assigned loans, which have been assigned a rating of Caa2 by Moody's and B+ by Scope Rating, which were sold, together with the junior notes and with the exception of highlighted below, to qualified investors without any connection, interest or participation with the assignors;
- €10.46 million of junior notes, corresponding to 1% of the value of the assigned loans, not rated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the "vertical slice" approach): in this regard, on July 10, 2018 the assignor banks sold approximately 95% of the mezzanine and junior noes to Good Hill Partners, which subscribed:

- 94.96% of the principal amount of the mezzanine notes at the issue date, equal to €29.8 million at a price equal to 33.063% of the relative principal amount, i.e. €9.8 million; and
- 95% of the principal amount of the junior notes at the issue date, equal to €9.9 million at a price equal to 1.006% of the relative principal amount, i.e. €99.9 thousand.

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Class A	282.0	170.5
Class B	1.5	-
Class C	0.5	-
Limited-recourse loan	10.5	8.4

As noted previously, the securitization was structured to possess the characteristics envisaged by the regulations mentioned earlier so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated September 7, 2018.

"GACS II" SECURITIZATION

In December 2018, the Group undertook the second securitization involving non-performing loans that qualified for the State guarantee mechanism for the liabilities issued (the so-called "GACS" mechanism) pursuant to Decree Law 18 of February 14, 2016, with a view to reducing Bank's the stock of bad loans and, consequently, ensure that the company's exposure to risk was contained within sustainable limits.

The transaction involved multiple portfolios of unsecured and mortgage loans to debtors classified as defaulted, with an average expected life of 5 years and an estimated maturity of July 2032 (on the basis of the business plan prepared by Italfondiario S.p.A.). As part of the operation, on December 27, 2018 the assignor banks submitted a preliminary application to the Ministry for the Economy and Finance (MEF) for admission to the State guarantee mechanism for the liabilities issued (the so-called "GACS" mechanism) pursuant to Decree Law 18 of February 14, 2016.

The assigned portfolio consists of loans classified as bad loans at the assignment date (December 7, 2018), originated by 73 banks (71 mutual banks, Banca Sviluppo and Iccrea BancaImpresa), with a total value of over €2 billion in terms of gross carrying amount, with the establishment of a securitization involving:

- the issue of notes by the SPV with the simultaneous subscription of the senior notes and approximately 5% of the mezzanine and junior notes by the assignors and the subscription of about 95% of the mezzanine and junior notes by an institutional investor independent of the assignors and Iccrea Banca, JP Morgan Securities Plc, with the simultaneous payment of the purchase price. The senior notes were assigned an external rating on December 20, 2018 by two rating agencies;
- the derecognition of the assigned loans on December 20, 2018. The assignment of the non-performing loans produced financial effects as from March 31, 2018. Collections between April 1, 2018, inclusive, and the assignment date of the portfolio, inclusive (December 7, 2018) were transferred to the SPV.

More specifically, a securitization vehicle specifically set up pursuant to Law 130 of April 30, 1999 denominated "BCC NPLs 2018-2 Srl" purchased the portfolio from the banks on December 7, financing its purchase by issuing asset-backed securities not listed on any regulated market with a total nominal value of about €558.17 million, as indicated below:

- €478 million of senior Class A Asset Backed Floating Rate Notes due July 2042, granted an investment grade rating of BBB (low) by DBRS Ratings Limited and BBB by Scope Rating, subscribed by the assignors in proportion to the exposures assigned;
- €60.13 million of mezzanine Class B Asset Backed Floating Rate Notes due July 2042, with a CCC rating by DBRS Ratings Limited and B + by Scope Rating;
- €20.04 million of junior Class J Asset Backed Floating Rate and Variable Return Notes securities, unrated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the "vertical slice" approach).

In this regard, on December 20, 2018 the mezzanine and junior tranches were sold to J.P. Morgan Securities Plc, which subscribed:

- 94.52% of the principal amount of the mezzanine notes at the issue date, equal to €56.8 million at a price equal to 11.309% of the relative principal amount (corresponding to a subscription price of €6.4 million);
- 94.58% of the principal amount of the junior notes at the issue date, equal to €18.9 million at a price equal to 0.998% of the relative principal amount (corresponding to a subscription price of €189 thousand).

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Class A	478.0	375.6
Class B	3.3	0.7
Class C	1.0	-
Limited-recourse loan	13.3	10.1

As noted previously, the securitization was structured to possess the characteristics so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated March 5, 2019.

GACS III" SECURITIZATION

In December 2019, a securitization was completed (the third of its kind for the Group) involving multiple portfolios of receivables in respect of mortgage loans or unsecured loans to debtors classified as defaulted. As part of the operation, on January 10, 2020, the assignor banks submitted to the Ministry for the Economy and Finance (MEF) a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitization of Bad loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018.

The transaction was carried out with the aim of reducing the stock of bad loans, partly in response to the need to achieve the objectives set by the ECB for the Mutual Banking Group, thereby decreasing their impact on total assets and, consequently, improving the company risk profile. The securitization mechanism and the State guarantee on the senior class of notes made it possible to obtain a higher sale value than in an ordinary market operation and contained the impacts of the disposal.

More specifically, the transaction involved the disposal of a portfolio of loans identified "en bloc" classified as bad loans at the date of sale, originated by Iccrea Banca, Iccrea BancaImpresa, Banca Sviluppo and 65 mutual banks belonging to the Group with total value of over €1.3 billion in terms of gross carrying amount, through a securitization carried out in the following phases:

- the assignment without recourse, on December 2, 2019, of the portfolio to the securitization vehicle BCC NPLS 2019 (hereinafter the "SPV") established pursuant to Law 130 of April 30, 1999 as amended;
- the payment of the consideration for the assignment by the SPV, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €421.2 million, divided into the classes indicated below:
  - €355 million of senior Class A Asset Backed Floating Rate Notes, maturing in January 2044, rated Baa2, BBB + and BBB respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
  - €53 million of mezzanine Class B Asset Backed Floating Rate Notes, maturing in January 2044, rated B3, B- and CCC respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
  - €13.2 million of junior Class J Asset Backed Floating Rate and Variable Return Notes, maturing in January 2044 and not rated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors and the Parent Company, Iccrea Banca, with the simultaneous payment of the purchase price.

The non-performing loans were derecognized by each of the assignors following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC, which took place on December 19, 2019 for both tranches. More specifically, Bracebridge Capital LLC subscribed i) 94.57% of the principal of the mezzanine notes, equal on the issue date to €50.1 million at a price equal to 51.26% of the principal amount and ii) 94.57% of the principal of the junior notes, equal on the issue date to €12.5 million at a price equal to 0.008% of the principal amount.

The following table summarizes the amount and annual rates of the notes issued.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Class A	355.0	289.3
Class B	2.9	1.8
Class C	0.1	-
Limited-recourse loan	10.0	9.0

As noted previously, the securitization was structured to possess the characteristics envisaged by the regulations mentioned earlier so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated March 25, 2020.

"GACS IV" SECURITIZATION

In November 2020 a securitization was completed (the fourth of its kind for the Group) involving multiple portfolios of receivables in respect of mortgage loans or unsecured loans to debtors classified as defaulted. As part of the operation, on December 22, 2020, the assignor banks submitted to the Ministry for the Economy and Finance (MEF) a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitizations of Bad Loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018 and subsequently amended by Law 41 of May 20, 2019 ratifying Decree Law 22 of March 25, 2019 with amendments.

The transaction was carried out with the aim of reducing the stock of bad loans, thereby decreasing their impact on total assets and, consequently, improving the company risk profile. The securitization mechanism and the State guarantee on the senior class of notes made it possible to obtain a higher sale value than in an ordinary market operation and contained the impacts of the disposal.

More specifically, the transaction involved the disposal of a portfolio of loans identified "en bloc" classified as bad loans at the date of sale, originated by Iccrea Banca, Banca Sviluppo, Iccrea BancaImpresa, Banca Mediocredito FVG, and 84 mutual banks belonging to the Group as well as 2 banks not belonging to the ICBG (Banca Ifis and Banca Popolare Valconca) with total value of over €2.3 billion in terms of gross carrying amount, through a securitization carried out in the following phases:

- the assignment without recourse, on November 18, 2020, of the portfolio to the securitization vehicle BCC NPLS 2020 (hereinafter the "SPV") established pursuant to Law 130 of April 30, 1999 as amended;
- the payment of the consideration for the assignment by the SPV, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €585 million, divided into the classes indicated below:
    - €520 million of Senior Notes, maturing in January 2045, rated Baa2 and BBB respectively by Moody's Italia Srl and Scope Rating AG;
    - €41 million of Mezzanine Notes, maturing in January 2045, rated Caa2 and CC respectively by Moody's Italia Srl and Scope Rating AG;
    - €24 million of Junior Notes, maturing in January 2045, and not rated.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors on November 30.

The non-performing loans were derecognized by each of the assignors following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC, which took place on November 30, 2020 for both tranches. More specifically, Bracebridge Capital LLC subscribed i) 94,40% of the principal of the mezzanine notes, equal on the issue date to €38.7 million at a price equal to 44.51% of the principal amount and ii) 94.40% of the principal of the junior notes, equal on the issue date to over €22.6 million at a price equal to 0.042% of the principal amount.

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Class A	460.5	381.7
Class B	2.0	1.0
Class C	1.2	-
Limited-recourse loan	13.8	12.1

As noted previously, the securitization was structured to possess the characteristics so that the senior notes would be eligible for the State guarantee, in view of the deconsolidation by the assignors of the transferred loan portfolio, in accordance with IAS/IFRS. The State guarantee was issued with a measure dated April 21, 2021.

"GACS V" SECURITIZATION

In November 2021 a multi-originator securitization was completed (the fifth of its kind for the Group) with the presentation to the Ministry for the Economy and Finance (MEF) of a preliminary application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS" – Guarantee of Securitizations of Bad Loans) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, subsequently implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018 and subsequently amended by Law 41 of May 20, 2019 ratifying Decree Law 22 of March 25, 2019 with amendments and the extension decree of the MEF of July 15, 2021.

The operation involved Iccrea Banca (participating as assignor, promotor and joint arranger), BancaImpresa, Mediocredito FVG and 71 other mutual banks belonging to the ICBG and three banks not belonging to the Group (Banca Ifis, Cassa di Risparmio di Asti and Guber Banca) in the sale pursuant to Law 130 of April 30, 1999 of the same number of portfolios of unsecured loans and mortgage loans, mainly backed by first mortgages, classified as bad loans at the date of sale, and receivables in respect of finance leases due to debtors classified as bad loans for a total of about €1.3 billion at the date of the transaction took financial effect, to a specifically established securitization vehicle company called "BCC NPLs 2021 Srl", which simultaneously granted a management engagement to a third-party servicer independent of the ICBG.

The transaction was carried out with the aim of reducing the stock of bad loans, thereby decreasing their impact on total assets and, consequently, improving the company risk profile.

On November 16, 2021, the SPV purchased the il portfolio from the assignor banks, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of €336.5 million, divided into the classes indicated below:

- €284 million of Senior Notes, maturing in January 2046, rated Baa2, BBB and BBB respectively by Moody's Italia Srl, Scope Ratings and ARC Ratings;
- €39.5 million of Mezzanine Notes, maturing in January 2046, rated Caa2, CCC and CCC+ respectively by Moody's Italia Srl e Scope Ratings e ARC Ratings;
- €13 million of Junior Notes, maturing in January 2046 and not rated.

The securities are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) no. 1060/2009 and (EU) no. 648/2012, the assignor banks have subscribed - and will undertake to retain for the entire duration of the securitization - at least 5% of the nominal value of each tranche of notes issued in the transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by a third-party investor independent of the assignors on November 29.

The derecognition of the bad loans took place following the sale of the mezzanine and junior tranches to a third-party non-ICBG investor, which, as noted, took place for both tranches on November 29, 2021. The investor subscribed i) 94.38% of the principal of the mezzanine notes on the issue date at a price equal to 27.85% of the relative principal amount and ii) 94.38% of the principal of the junior notes on the issue date at a price equal to 0.08% of the relative principal amount.

The following table shows the positions held by the Group in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Class A	239.0	223.5
Class B	1.8	0.6
Class C	0.5	-
Limited-recourse loan	11.9	11.9

The transaction is structured in such a way so that the senior notes can benefit from the State guarantee referred to earlier, pending the deconsolidation by the assignor banks of the loans involved in the transaction in accordance with the IAS/IFRS. In order to obtain admission to the state guarantee scheme, Iccrea Banca – under a specific delegation from the assignor banks – submitted an application to the MEF on December 24, 2021.

CREDICO FINANCE 18 SRL SECURITIZATION

A securitization was carried out in the third quarter of 2019 in which 14 mutual banks assigned without recourse an initial portfolio of monetary claims in respect of mortgage and other loans granted to small and medium-sized enterprises to the special purpose vehicle Credico Finance 18 Srl (hereinafter also the SPV), in which the Group does not hold an interest nor do its employees hold positions as corporate officers.

The operation made it possible to raise significant financial resources as an alternative to direct borrowing, enabling a reduction in exposures for the purposes of solvency ratios, without excluding the originator from managing relationships with customers: it is a tool for funding on international markets to finance the Group's lending and falls with the scope of expectations to support for the development of the local economy, in line with the company's strategic guidelines.

The transaction was involved a number of separate contracts, with the operation unfolding as follows:

- the assignment without recourse by the originator banks of a portfolio of performing loans identified as "en block", with a total residual principal amount of about €519.4 million;
- the acquisition of the loans by the SPV, which raised funds by issuing notes tranched into different levels of repayment priority;
- the subscription of the senior Class A1 notes by Société Generale and the senior Class A2 notes by EIB;
- the subscription by the individual originator banks of the 14 tranches of junior Class J securities.

The purchase of the portfolio by the SPV was financed through the issue of two categories of asset backed securities, in the total amount of €519.4, broken down as follows:

- senior Class A notes in the amount of €290 million, maturing April 2057 with a rating assigned by Moody's, Scope Ratings and DBRS Ratings, which are in turn divided into two sub-classes (A1 Notes and A2 Notes) listed on the Euronext Dublin market and subscribed, respectively, by the EIB and Société Generale;
- junior Class J notes in the amount of €229.4 million, maturing expiring April 2057, not rated, unlisted and fully subscribed by the originator banks themselves.

More specifically, the junior securities were divided into 14 series, each of an amount proportional to the value of the loans assigned respectively by the individual participating banks. Each of the banks has subscribed exclusively the series of subordinate securities pertaining to it, with payment of the relative price at par.

The following table summarizes the amount and annual interest rates of the notes issued by the SPV:

Tranche	Amount issued (€/million)	Rate
Senior Notes – Class A1	90.0	Euribor 3m + 0,58%
Senior Notes – Class A2	200.0	Euribor 3m + 0.8%
Junior Notes – Class J	229.4	Variable Return
Total	**519.4**	

The SPV has not entered into derivative contracts to hedge interest rate risk.

Each assignor bank has established a cash reserve in favor of the SPV (in the form of a limited-recourse loan), as an additional guarantee for payment flows. The cash reserve provides a form of liquidity support to enable the special purpose vehicle to promptly settle payment of the amounts due on the senior notes in the specified percentage shares, as well as to meet the costs of the securitization.

The financing will be repaid in a single instalment at the end of the transaction, or at the time the originating banks should exercise the option to repurchase the loans (clean-up call). The banks have also been granted a partial repurchase option under which they have the right to

repurchase without recourse, in one or more instalments, a certain amount of uncollected loans.

The priority of payment of any interest on the financing by the SPV will only exceed that for the interest and principal of the junior notes.

In addition, the assignor banks have been engaged under a special servicing contract with the special purpose vehicle to continue managing the assigned positions. In particular, they will collect the payments on the loans and will handle, if necessary, any litigation in accordance with the criteria specified in the contract. For the services rendered, they will receive an all-inclusive annual fee equal to 0.003% of the performing loans under management and 6% of the amounts recovered on non-performing exposures. Out-of-pocket expenses, including legal fees, will also be reimbursed for the latter receivables, up to contractually specified ceilings.

Given the financial structure of the transaction, the maximum exposure retained by the assignor banks at the reporting date totals €241 million, represented exclusively by the sum of the amount of the junior notes subscribed (equal to €229.4 million) and the value of the liquidity reserve established for the benefit of the SPV (€11.6 million).

As regards the accounting treatment of the transaction, the securitization does not meet the requirements necessary for the derecognition of the assets transferred to the vehicle (loans) since the subscription of the junior securities means that assignor banks have retained all the risks and rewards connected with the loans. In consideration of this circumstance, the assigned assets continue to be recognized in their entirety, while the notes subscribed and held by the assignor banks do not represent new financial instruments acquired by the banks but instead represent guarantees issued against the assigned assets and consequently are not reported in the financial statements.

NEPAL SRL SECURITIZATION

In 2019 BCC di San Giorgio Quinto Valle Agno carried out a non-recourse assignment of non-performing loans, represented by mortgage and other loans to the securitization vehicle “Nepal Srl”, established pursuant to Law 130 of April 30, 1999 as amended.

The operation was carried out to reduce the stock of bad loans as a percentage of total assets, consequently improving the company risk profile.

The transaction involved the disposal of a portfolio of non-performing loans originated by BCC di San Giorgio Quinto Valle Agno and 18 other banks not belonging to the Group with a total value of about €734 million in terms of gross carrying amount, of which about €32.6 million were assigned by BCC di San Giorgio Quinto Valle Agno.

As part of the transaction, the SPV acquired the portfolio from the assignor banks, financing part of the purchase by issuing asset-backed securities not listed on any regulated market with a total nominal value of about €181.1 million, divided into the classes indicated below:

- €126.6 million of senior Class A Asset Backed Floating Rate Notes, maturing in 2037;
- €54.5 million of junior Class B Asset Backed Floating Rate and Variable Return Notes, maturing in 2037; and the remainder by paying about €75.7 million to the assignor banks, of which €51.8 million deriving from the subscription of 95% of the junior securities by third-party investors and €23.9 million from the liquid assets of the SPV connected with recovery activities performed by the securitization’s servicer.

As part of the securitization:

- the assignor banks subscribed 100% of the Class A notes and 5% of the Class B notes;
- the SPV entered into a servicing agreement with Guber Banca S.p.A., which is responsible for: i) the management, administration, recovery and collection of loans; and ii) certain reporting activities relating to the loans;
- an interest cash reserve was established to support payments to the subscribers of the Senior notes in the applicable order of priority until a trigger event occurs and a recovery expenses cash reserve was set up to pay all costs and expenses incurred in debt collection activities.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans since following the sale of 95% of the junior tranche to Guber Banca S.p.A., Varde Partners, Inc and Barclays Bank Plc, substantially all the risks and rewards connected with the exposures have been transferred. Paragraph 3.2.12 of IFRS 9 states that on derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit or loss for the year.

Consequently, at the conclusion of the operation, BCC di San Giorgio Quinto Valle Agno:

- derecognized the loans involved in the assignment at the time the placement of the junior tranches on the market was settled
- recognized in the income statement under the item “Gain (loss) on the disposal or repurchase of financial assets measured at amortized cost” the overall capital loss determined as the difference between the gross aggregate value at the date of assignment of the loans, less writedowns and inclusive of any collections on the loans attributable to the SPV at the assignment date (equal to about €32.6 million) and the consideration received (equal to about €9.3 million);

- recognized the notes subscribed in its balance sheet, for a value of more than €5.7 million in senior notes, €126 thousand in junior notes.

The following table summarizes the positions in respect of the securitization held by the BCC di San Giorgio Quinto Valle Agno at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Senior	5.8	3.2
Junior	0.1	0.1

LEONE SPV SECURITIZATION

In December 2018, BCC di Milano carried out a non-recourse assignment of a portfolio of non-performing loans, of which €25.8 million in loans classified as bad loans and €1.9 million in loans classified as unlikely to pay as at the assignment date.

The operation was carried out with the aim of reducing the bank's stock of non-performing loans and improving its risk profile.

The exposures were assigned to a securitization vehicle specially created in accordance with Law 130 of April 30, 1999 denominated "Leone SPV Srl". BCC di Milano does not hold an interest in the vehicle nor do its employees hold positions as corporate officers.

The sale price of the loan portfolio was set at €20.9 million. The special purpose vehicle financed the purchase of the loans by issuing asset-backed securities divided into two classes:

- senior notes in the amount of €12.6 million, maturing July 2030 and paying interest half-yearly;
- junior notes in the amount of €8.4 million, maturing July 2030 and paying interest half-yearly.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans since substantially all the risks and rewards connected with the exposures have been transferred.

The following table shows the positions held by BCC di Milano in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Senior	12.6	6.3
Junior	0.4	0.3

MARMAROLE SPV SECURITIZATION

In 2018, a securitization transaction was completed pursuant to Law 130 of April 30, 1999, with the participation of three mutual banks (BCC Ravennate - BCC Rimini and Gradara (formerly RiminiBanca) and BCC Agrobresciano) and 8 other banks not belonging to the ICBG as assignors of the same number of portfolios of unsecured and mortgage loans, with a total carrying amount of €568.3 million.

The portfolios were purchased by a special purpose vehicle set up pursuant to Law 130, denominated "Marmarole SPV Srl". The SPV financed the purchase of the loans by issuing the following classes of securities:

- €113.9 million of senior Class A Asset Backed Notes, maturing June 2031;
- €48.8 million of junior Class B Asset Backed Notes securities, maturing June 2031.

The securities have not been rated and are not listed on any regulated market.

On February 28, 2018, the senior notes and 5% of the junior notes were subscribed by the assignor banks in proportion to the price received by each for the sale of the related portfolio and the remaining junior notes were subscribed by an unrelated institutional investor.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans since substantially all the risks and rewards connected with the exposures have been transferred.

The following table shows the positions held by BCC Ravennate, BCC Rimini and Gradara and BCC Agrobresciano in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Class A	26.2	12.5
Class B	0.6	0.6

SPV PROJECT 1714 SECURITIZATION

In December 2018, in line with its NPL reduction targets, Banca Alpi Marittime completed the securitization of a portfolio of loans classified as non-performing with a total gross value of €109.7 million.

The exposures were assigned to a securitization vehicle specially created in accordance with Law 130/99 denominated "SPV Project 1714" which financed the purchase by issuing asset-backed securities divided into two classes:

- €17.2 million of senior notes;
- €11.4 million of junior notes.

Both classes of securities are unrated. The senior notes were subscribed by the bank, while the junior notes were placed with institutional investors.

The bank retained a 5% share of the loans for retention purposes in order to maintain the required net economic interest in the securitization.

With regard to the accounting treatment of the transaction, the securitization meets the requirements for derecognition of the loans in view of the structure of the operation and the fact that substantially all the risks and rewards connected with the exposures have been transferred.

The following table shows the positions held by Banca Alpi Marittime in respect of the securitization at the reporting date.

Class	Nominal amount (€/million)	Carrying amount (€/million)
Senior	14.0	6.5
Junior	3.1	1.5

THIRD-PARTY SECURITIZATIONS

The Group holds securities in respect of securitizations carried out by third parties in the total amount of €67.7 million.

Financial instruments	Nominal amount (€/million)	Carrying amount (€/million)
Senior notes	222.7	46.8
Mezzanine notes	12.0	12.0
Total	**234.7**	**58.7**

The Group does not perform any servicer activities for third-party securitizations and does not hold any interest in the related special purpose vehicles.

The main exposures to third-party securitizations include, with a carrying amount of €135.8 million, senior unrated notes issued by the vehicle company Lucrezia Securitization Srl as part of the interventions of the Institutional Guarantee Fund for the resolution of crises at banks subjected to extraordinary administration procedures by the supervisory authorities (Bank of Italy). These notes are reported among the assets of the Group's balance sheet under "Financial assets measured at amortized cost".

The assets underlying these notes securities consist of impaired loans, largely secured in full by real estate.

With regard to the details of the transactions in which the Group operates as an investor, please see table "C.4 Prudential consolidation - Unconsolidated special purpose securitization vehicles", which among other things reports the Group's exposure to this type of vehicle.

QUANTITATIVE DISCLOSURES

C.1 - PRUDENTIAL CONSOLIDATION - EXPOSURES IN RESPECT OF MAIN OWN SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks
A. Fully derecognized																		
Non-performing receivables	1,601,082	1,719	4,658		971													
Loans	55,774	(2,630)																
B. Partially derecognized																		
C. Not derecognized																		
Performing receivables					46,763													

Securitization transactions with on-balance-sheet exposures, guarantees and other forms of credit enhancement as underlying assets are reported in the table.

In particular, the “Loans” sub-item includes the exposure for the limited-recourse loans granted by the Parent Company to the securitization vehicles of the GACS transactions. Writedowns/writebacks refer to 2022 only.

C.2 - PRUDENTIAL CONSOLIDATION - EXPOSURES IN RESPECT OF MAIN THIRD-PARTY SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

	On-balance-sheet exposures						Guarantees issued						Credit lines					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks
Non-performing receivables	46,128	41	300															
Performing receivables	12,595	35																

The table reports the exposures assumed by the Group in respect of third-party securitizations. Writedowns/writebacks refer to 2022 only.

C.3 - PRUDENTIAL CONSOLIDATION – INVOLVEMENT IN SPECIAL PURPOSE SECURITIZATION VEHICLES

The Group does not have an involvement in securitization vehicles. The following table reports information on the vehicle companies used by the Group to carry out its own securitizations.

	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
1. BCC NPLS 2018 Srl	Conegliano, Via V. Alfieri.1	no	103,427	-	-	168,816	15,095	2,427
2. BCC NPLS 2018-2 Srl	Conegliano, Via V. Alfieri.1	no	256,091	-	-	369,920	10,855	2,005
3. BCC NPLS 2019 Srl	Conegliano, Via V. Alfieri.1	no	238,177	-	-	283,337	30,421	1,663
4. BCC NPLS 2020 Srl	Conegliano, Via V. Alfieri.1	no	364,498			421,982	20,215	2,081
5. BCC NPLS 2021 Srl	Conegliano, Via V. Alfieri.1	no	265,080			260,090	12,272	590
6. BCC NPLS 2022 Srl	Conegliano, Via V. Alfieri.1	no	138,564			142,000	4,137	-
7. Credico Finance 18 Srl	Rome, Via Barberini, 47	no	264,634	-	-	57,722	-	229,430
8. Marmarole SPV Srl	Conegliano, Via V. Alfieri,1	no	95,860			49,943		48,850
9.SPV Project 1714 Srl	Milan, Via Pestalozza 12/14	no	16,820	-	-	7,969	-	11,440
10. Leone SPV Srl	Milan, Via San Prospero,4	no	16,429	,	-	9,428	-	7,737
11. Nepal Srl	Milan, Via San Prospero,4	no	105,411	-	-	93,448	-	54,525

C.4 - PRUDENTIAL CONSOLIDATION - UNCONSOLIDATED SPECIAL PURPOSE SECURITIZATION VEHICLES

	Accounting classification of assets	Total assets	Accounting classification of liabilities	Total liabilities	Net carrying amount	Maximum loss exposure	Difference between loss exposure and carrying amount
A. Own securitizations with full derecognition of assigned assets							
BCC NPLS 2018 Srl	AC	178,924			178,924	178,924	
	MFV	1			1	1	
BCC NPLS 2018-2 Srl	AC	385,661			385,661	385,661	
	MFV	791			791	791	
BCC NPLS 2019 Srl	AC	298,255			298,255	298,255	
	MFV	1,889			1,889	1,889	
BCC NPLS 2020 Srl	AC	393,735			393,735	393,735	
	MFV	1,066			1,066	1,066	
BCC NPLS 2021 Srl	AC	235,385			235,385	235,385	
	MFV	598			598	598	
BCC NPLS 2022 Srl	AC	136,117			136,117	136,117	
	MFV	340			340	340	
Marmarole SPV Srl	AC	11,330			11,330	11,330	
	MFV	563			563	563	
SPV Project 1714 Srl	AC	7,965			7,965	7,965	
Leone SPV Srl	AC	6,300			6,300	6,300	
	MFV	300			300	300	
Nepal Srl	AC	3,183			3,183	3,183	
	MFV	81			81	81	
B. Own securitizations with no derecognition of assigned assets							
Credico Finance 18 Srl	AC	276,193	PFAC	229,430	46,763	46,763	
C. Third-party securitizations							
Lucrezia Securitisation Srl - Padovana Irpinia	AC	18,299			18,299	18,299	
Lucrezia Securitisation Srl - Crediveneto	AC	12,115			12,115	12,115	
Lucrezia Securitisation Srl - Teramo	AC	4,627			4,627	4,627	
Eridano II SPV Srl	AC	11,967			11,967	11,967	
Borghese Uno Srl	AC	5,939			5,939	5,939	
Viveracqua Hydrobond Srl	MFV	628			628	628	
La Colombo SPV Srl	AC	3,232			3,232	3,232	
Belvedere SPV Srl	AC	3,260			3,260	3,260	

(*) AC= financial assets measured at amortized cost; MFV = financial assets mandatorily measured at fair value; PFAC = financial liabilities measured at amortized cost

C.5 - PRUDENTIAL CONSOLIDATION – SERVICER ACTIVITIES - COLLECTIONS ON SECURITIZED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY SECURITIZATION VEHICLE

At December 31, 2022 the Group did not perform servicer activities for own securitizations in which the assigned assets had been derecognized pursuant to IFRS 9.

C.6 - PRUDENTIAL CONSOLIDATION - CONSOLIDATED SPECIAL PURPOSE SECURITIZATION VEHICLES

There were no consolidated special purpose securitization vehicles at the reporting date.

D. DISPOSALS

A. FINANCIAL ASSETS ASSIGNED BUT NOT FULLY DERECOGNIZED

QUALITATIVE DISCLOSURES

The operations mainly regard the use of government securities holdings for short- and medium-term repurchase transactions and receivables from customers assigned in the Group's securitization of its own assets.

QUANTITATIVE DISCLOSURES

D.1 - PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS ASSIGNED BUT FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

	Financial assets assigned but fully recognized				Associated financial liabilities		
	Carrying amount	of which: securitized	of which: with sale and repurchase agreement	of which impaired	Carrying amount	of which: securitized	of which: with sale and repurchase agreement
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated as at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortized cost	**6,342,945**	**266,538**	**6,073,192**	**3,638**	**6,101,145**	**35,701**	**6,064,172**
1. Debt securities	6,073,192	-	6,073,192	-	6,064,172	-	6,064,172
2. Loans	269,753	266,538	-	3,638	36,973	35,701	-
Total 31/12/2022	**6,342,945**	**266,538**	**6,073,192**	**3,638**	**6,101,145**	**35,701**	**6,064,172**
Total 31/12/2021	**7,479,831**	**1,001,466**	**6,473,109**	**20,177**	**6,622,403**	**147,719**	**6,674,565**

D.2 - PRUDENTIAL CONSOLIDATION - FINANCIAL ASSETS ASSIGNED AND PARTIALLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

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

D.3 - PRUDENTIAL CONSOLIDATION - DISPOSALS INVOLVING LIABILITIES WITH RECOURSE ONLY ON ASSIGNED ASSETS NOT DERECOGNIZED: FAIR VALUE

	Fully recognized	Partially recognized	Total 31/12/2022	Total 31/12/2021
A. Financial assets held for trading	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
4. Derivatives	-	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
C. Financial assets designated as at fair value	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Loans	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
E. Financial assets measured at amortized cost	**21,940**	**-**	**21,940**	**22,861**
1. Debt securities	-	-	-	-
2. Loans	21,940	-	21,940	22,861
Total financial assets	**21,940**	**-**	**21,940**	**22,861**
Total associated financial liabilities	**5,499**	**-**	**X**	**X**
Net value 31/12/2022	**16,442**	**-**	**21,940**	**X**
Net value 31/12/2021	**13,703**	**-**	**X**	**22,861**

B. FINANCIAL ASSETS ASSIGNED AND DERECOGNIZED WITH RECOGNITION OF CONTINUING INVOLVEMENT

At the reporting date, there are no transactions for the assignment of derecognized financial assets with the recognition of continuing involvement.

C. FINANCIAL ASSETS ASSIGNED AND DERECOGNIZED

QUALITATIVE DISCLOSURES

At December 31, 2022, the Group held shares in investment funds acquired as part of multi-originator assignments of loan portfolios.

In accordance with the provisions of the Bank of Italy Communication of December 23, 2019, information on the transactions carried out by certain Group banks during the year is reported below.

KEYSTONE DISPOSAL

During 2022, BCC di Fano, Banca 2021, Banca Centro, Banca Cremasca e Mantovana and BCC Romagnolo finalized the sale of impaired positions associated with mortgage or unsecured loans, classified mainly as unlikely to pay positions or bad loans, to the Keystone Fund, an alternative closed-end credit investment fund reserved for professional investors specifically set up by Krialos SGR S.p.A..

The Fund's objective is the collective investment of the capital raised, seeking to generate income from investment operations and the division and distribution of the net income from management of the Fund, including gains from the disinvestment of investments.

The sale is part of a broader operation in which eight other Italian banking groups took part.

The Fund is not divided into sub-funds and the units are not divided into classes, are not listed, are all of equal value and are issued against subscriptions through the contribution of assets and/or receivables, or subscriptions in cash, payable also through offsetting against the consideration to be paid to the subscriber in conjunction with simultaneous sale to the Fund, without prejudice to any cash adjustment payments.

The loans were transferred to the Fund by way of assignment without recourse, en bloc, in concomitance with the subscription by the transferors of Fund units issued in amounts corresponding to the consideration for the assignment of the loans and paying up the units by offsetting the debt of the Fund to the related transferor. The loans are transferred by each participating bank in different percentages with respect to the total value of the Fund and with respect to the type of guarantee present. The sale of the loans is unconditional and there are no repurchase options or guarantees which could limit any losses for the Fund.

At the transfer date, the gross book value of the loans assigned by the Group was €31.45 million, equal to 12.3% of the total value of the loans assigned by all the participants in the transaction.

ILLIMITY CREDIT & CORPORATE TOURNAROUND DISPOSAL

In 2021 Iccrea Banca, BCC Ravennate, Forlivese e Imolese, Chiantibanca and Iccrea BancaImpresa completed the assignment of unlikely-to-pay (UTP) loans to the Illimity Credit & Corporate Turnaround fund, a restricted Italian alternative closed-end investment fund, receiving units of the fund, which is managed by Illimity SGR, in exchange. Subsequently, the Group participated in a second closing on October 21, 2021, with the assignment of loans by Iccrea BancaImpresa, Riviera Banca and Credito Padano.

In April 2022, a further sale was completed by Chiantibanca alone for €1.55 million, with a corresponding NAV of €1.17 million, which was paid through the subscription of approximately 0.7% of the units of the Fund, with a nominal value equal to the aforementioned NAV.

The sales are part of a broader operation in which numerous other major Italian banking groups participated.

The structure of the transaction provided for the non-recourse assignment to the fund of a portfolio of UTP loans due from companies. Each bank sells its loan portfolio, which in relation to some debtors may coincide with those sold by other banks in the pool.

All rights connected with the realization of the assigned loans are transferred assigned to the fund, i.e. the right to collect cash flows, including rights to collateral and unsecured guarantees, various accessory rights and the right to pursue actions to achieve borrower performance.

In particular, the fund will issue 3 classes of units: i) “A Units” (or the “Loan Units”): subscribed by the assignor banks and paid with the assignment or transfer of loans and/or financial instruments and/or with cash payments for any adjustments required by the fund rules; ii) “B Units” (or the “Finance Units”), subscribed by professional investors and paid in cash. The liquidity will be invested by the fund in the purchase of UTP positions and/or in the provision of new finance or capital to the borrowers connected with the assigned loans, all as part of the fund’s strategy to maximize the likelihood of success of the restructuring of these companies and to optimize the recovery of exposures; and iii) the “C Units”, reserved for the asset management company and the members of the fund’s management team and paid in cash.

Against the assignment of the loans, each bank subscribed class A units of the fund in proportion to the value of the loans assigned by the bank.

With successive closings, the Group assigned total UTP positions – between 2021 and 2022 – to 13 borrowers with a gross carrying amount of €58.8 million, with a total NAV of €37.7 million, equal to 18.3% of the fund’s Loan Units at December 31, 2022. The positions were sold

directly to the fund, with the exception of the establishment of a securitization structure without tranching for the lease receivables sold by Iccrea BancaImpresa in order to enable the transfer of ownership of the leased assets.

ILLIMITY REAL ESTATE CREDIT FUND DISPOSAL

On August 8, 2022 Iccrea Banca and Iccrea BancaImpresa completed the assignment of unlikely-to-pay (UTP) positions and bad loans to Illimity Real Estate Credit, an Italian restricted closed-end alternative securities investment fund, receiving units in the fund operated by Illimity Sgr. IREC, the second fund organized by Illimity SGR, an asset management company owned by Illimity Bank. The Fund is focused on High Risk, UTP and NPL exposures, generally loans to companies operating in the real estate and energy industries.

The sale is are part of a broader operation in which other major Italian banking groups participated.

The Group assigned total loans and leases to 22 borrowers with a gross carrying amount of €42.6 million, with a total NAV of €22.3 million, equal to 25.1% of the fund's Loan Units at December 31, 2022. The assignment was conducted through a securitization structure, with the participation of a Leaseco for the assets and lease receivables assigned by Iccrea BancaImpresa.

BENE E CREDITO - ILLIMITY BANK S.P.A. DISPOSAL

On December 16, 2022, Iccrea BancaImpresa completed the non-recourse assignment of loans, assets and relationships classified as unlikely to pay or non-performing in respect of property leases to Pitti SPV and Pitti Leaseco, securitization vehicles of Illimity Bank S.p.A.. The portfolio sold by Iccrea BancaImpresa is made up of positions of which 85% have a vintage of more than 3 years and which are unlikely to be recovered or return to performing status in the short term. The transaction was conducted through securitization vehicles, one for loans and the other for assets and other relationships, with the issue by the assignor of declarations and guarantees typical for transactions of this type, including those relating to lease assets whose ownership has been transferred to Pitti Leaseco Srl pursuant to Art. 58 of the Consolidated Banking Act.

The bank sold a portfolio of receivables, relationships and lease assets in respect of 49 non-performing counterparties with a gross book value of €54.3 million at the date the transaction took legal effect and a net book value of approximately €17 million.

The above assignment led to the full derecognition of the assigned loans by the assignor banks, as the assignment transferred substantially all the risks and rewards connected with ownership of the assets transferred to the assignee. Similarly, the requirements for the application of IFRS 10 and for the consequent consolidation of the funds do not obtain, despite being exposed to the variable returns deriving from the activities of the fund, since the banks do not have the power or the ability to determine or affect the investment strategies of the fund, a power that the governance arrangements established with the fund rules attribute solely to the asset management company.

The fund units are classified under "Financial assets mandatorily measured at fair value through profit or loss", since their nature and contractual characteristics mean they do not pass the SPPI test. For further information, please see Part A "Accounting Policies" of these notes to the consolidated financial statements.

The investment in the funds presents a level of risk related to the intrinsic characteristics of the underlying real estate product. The risk profile of the funds is determined using a scoring assessment method, which considers the qualitative and quantitative elements of the risk factors described below:

- market risk, represented by the risk that the value of the fund units will decrease as a result of fluctuations in the value of the assets in which the Fund's resources are invested (for example, due to the effect of price developments over time in relation to the type of properties and the geographical area in which they are located);
- liquidity risk, consisting in the risk that the fund will be unable (due in part to the low liquidity and the variable valuations of the real estate assets) to meet its commitments in respect of its creditors and investors due to the insufficiency of its funds with respect to liabilities or to the less than optimal balance between readily liquidable assets and enforceable liabilities;
- concentration risk, deriving from an excessive exposure to individual real estate initiatives, individual counterparties, entities belonging to the same economic sector or located in the same geographical area;
- counterparty risk, represented by the risk that the counterparty in one of the transactions will default before final settlement of the cash flows of the transaction, thus affecting the performance of the assets in which the funds invest;
- interest rate risk, represented by the risk of changes in interest rates that could impact loan agreements and any derivative contracts, in particular with regard to interest expense and the differences that the fund is required to pay to credit institutions;
- other risks, such as, but not limited to: changes in the legislative framework, failure to obtain the necessary authorizations, delays or interruptions in the execution of the contracted works, unexpected environmental charges, exceptional events not covered by insurance policies, legal or tax disputes, other operational risks related to the management of the assets or risks related to the use of leverage as governed by the fund rules.

As regards procedures for monitoring these risks, the Group continues to use the management tools they use for other investments in their

portfolio and verifies that the operations as a whole are managed in accordance with the law and the fund rules, based on the reports that the asset management company periodically submits to subscribers.

The table reports the underlying assets of the disposals carried out by the Group during the year.

QUANTITATIVE DISCLOSURES

DISPOSALS INVOLVING ASSETS ASSIGNED AND FULLY DERECOGNIZED: CARRYING AMOUNTS

	Performing exposures		Impaired exposures		Total	
	Carrying amount	Total value adjustments	Carrying amount	Total value adjustments	Carrying amount	Total value adjustments
A. Financial assets held for trading	-	X	X	X	-	X
1. Debt securities		X	X	X		X
2. Equity securities		X	X	X		X
3. Loans		X	X	X		X
4. Derivatives		X	X	X		X
B. Other financial assets mandatorily measured at fair value	-	X	-	-	-	-
1. Debt securities		X				
2. Equity securities		X				
3. Loans		X				
C. Financial assets designated as at fair value	-	X	-	-	-	-
1. Debt securities		X				
2. Loans		X				
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
1. Debt securities						
2. Equity securities						
3. Loans						
E. Financial assets measured at amortized cost	-	-	57,190	45,493	57,190	45,493
1. Debt securities					-	-
2. Loans			57,190	45,493	57,190	45,493
Total financial assets 31/12/2022	-	-	57,190	45,493	57,190	45,493
Total financial assets 31/12/2021	-	-	80,000	50,684	80,000	50,684

D. TRANSACTIONS IN COVERED BONDS

In 2021 a covered bond program was structured, giving the Group an additional medium-long term funding channel. The program, the first in the cooperative banking industry in Italy, has involved Iccrea Banca as the issuer of covered bonds and a number of affiliated banks as assignors and servicers of a portfolio of primary credit quality mortgages pledged to secure the bonds issued.

The program, which gives investors a secured product that can be used to improve their medium/long-term financial profile, given the evolution of the financial markets, is part of a broader strategy aimed at:

- containing funding costs, thanks to considerable attractiveness of covered bonds as instruments issued directly by a bank whose repayment is also secured by a segregated asset pool (in this case, residential mortgage loans). Thanks to their ability, in the event of bankruptcy of the issuing bank, to recover their position against specially segregated high quality assets, the holders of covered bonds are willing to accept a lower return than that they would demand for similar unsecured bonds;
- diversifying funding sources on the international market as well;
- lengthening the average maturity of debt.

The Program, allowing the Group to enter a new market characterized by particular complexity, both operational and legal, was based on a governance and control process entrusted to the responsibility of Iccrea Banca (which also plays a management role and coordination, centralizing the management and control activities of the cover pool, the role of master servicer and test calculation agent) and is based on offer documentation submitted to the approval of the Commission de Surveillance du Secteur Financier (CSSF) of the Grand Duchy of Luxembourg. With the approval of the Program, Iccrea Banca can issue Covered Bonds in the amount of up to €10 billion over a period of 10 years.

The structuring of the Group's covered bond program involved the implementation of the following activities:

- the assignment by a number of mutual banks to a specially formed SPV called Iccrea Covered Bond Srl of a portfolio of loans held by the assignor banks, which will represent the segregated assets pursuant to and for the purposes of the provisions of Law 130 on securitizations. The program permits additional assignments of loans, which will form part of the segregated assets, both by the initial assignor banks and by any additional affiliated banks who intend participate in the program subsequently;
- the grant to the SPV by the assignor banks of a subordinated loan to provide the SPV with the resources to purchase the loans being assigned;
- the issue by the SPV of an autonomous, irrevocable and unconditional first demand guarantee to the exclusive benefit of the investors holding the covered bonds and senior creditors of the program (the guarantee provides for limited recourse against the assets in the cover pool held by the SPV, which performs the role of Guarantor);
- the issue by Iccrea of the covered bonds and the proportional transfer of the liquidity raised to the assignor banks.

On June 28, 2021 the first portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €674 million by eight initial assignor banks, as detailed in the following table:

Assignor banks	Residual debt at the assignment date (€/million)	Intercompany liquidity post issue (€/million)
Emil Banca - Credito Cooperativo - Società Cooperativa	83.8	62.0
Banca Centro-Credito Cooperativo Toscana-Umbria Società Cooperativa	50.0	37.0
Credito Cooperativo Friuli - Società Cooperativa	138.7	103.0
Banca di Credito Cooperativo Di Milano - Società Cooperativa	40.5	30.0
Credito Cooperativo Ravennate, Forlivese E Imolese - Società Cooperativa	135.1	100.0
Banca Patavina Credito Cooperativo di Sant'Elena e Piove di Sacco - Società Cooperativa	63.0	47.0
Centromarca Banca - Credito Cooperativo di Treviso e Venezia	60.6	45.0
Banca di Credito Cooperativo di Staranzano e Villesse - Società Cooperativa	102.6	76.0
Total	**674.4**	**500.0**

Following the first sale, on 23 September 2021, Iccrea Banca initiated the issue of covered bonds in the nominal amount of €500 million, which were placed with professional investors. They have a maturity of 7 years (maturing on September 23, 2028), an Aa3 rating from Moody's, annual coupons with a fixed rate of 0.01% gross per annum and a re-offer yield of -0.003%.

On June 7, 2022 a second portfolio was sold to Iccrea Covered Bond Srl for a total nominal amount if €697 million by eight assignor banks, three of which were already participating in the Program, as detailed in the following table. The covered bonds in respect of the second assignment had not yet been issued as at the reporting date.

Assignor banks	Residual debt at the assignment date (€/million)
Emil Banca - Credito Cooperativo - Società Cooperativa	109.9
Banca della Marca Credito Cooperativo - Società Cooperativa	101.4
Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo - Società Cooperativa	60.9
Cassa Rurale ed Artigiana di Binasco - Credito Cooperativo Società Cooperativa	54.0
Banca di Credito Cooperativo di Busto Garolfo E Buguggiate -Società Cooperativa	47.3
Banca di Credito Cooperativo di Milano - Società Cooperativa	139.1
Credito Cooperativo Ravennate, Forlivese e Imolese - Società Cooperativa	77.0
Terre Etrusche di Valdichiana e di Maremma - Credito Cooperativo - S.C.	108.1
Total	**697.6**

As regards the accounting treatment of the operation:

- the assigned loans continue to be recognized by the assignor banks under item 40 b) “Financial assets measured at amortized cost: loans to customers”, under the sub-item “medium/long-term loans” , as the assignors retain the risks and rewards associated with the ownership of the assigned loans. The loan granted by the assignors to the SPV is not recognized as a separate item, as it is offset by the debt to the vehicle connected with the initial transfer price. This loan is therefore not subject to assessment for credit risk purposes, as the risk is entirely reflected in the valuation of the assigned loans, which continue to be recognized in the financial statements of the assignors;
- the value of the loans changes on the basis of events affecting them (account movements and valuations). Loan payments collected by assignors (who act as servicers) are paid daily to the vehicle on the “collection account” and accounted for by the assignors as follows: i) the collection of the principal amount from the borrower is recognized against a decrease in the receivable from the same borrower; ii) the payment of the principal amount to the vehicle is recognized against the recognition of a receivable from the vehicle, which is closed at the time of repayment of the subordinated loan;
- the interest collected from the borrower is recognized under item 10 of the income statement “Interest income: loans to customers” (interest on loans continues to be recognized on an accruals basis through the allocation of amounts accruing);
- the payment of interest to the vehicle is recognized against the recognition of a receivable from the vehicle, which will be closed at the time of collection of interest on the subordinated loan;
- Iccrea Covered Bond Srl, owned by Iccrea Banca, is recognized under item 70 “Equity investments”;
- the covered bonds issued are recognized in liabilities under item 10c) “Financial liabilities measured at amortized cost: securities issued” and the related interest expense is recognized on an accruals basis.

In order to enable the assignee company to fulfill the obligations of the guarantee granted, Iccrea Banca uses appropriate asset and liability management techniques to ensure the overall balance between the cash flows generated by the assigned assets and the payments due in respect of the covered bonds issued and other transaction costs.

The program has been structured in accordance with applicable laws and regulations, which permit the issue of covered bonds on the condition of compliance with certain capital requirements for the assignor and issuing banks.

The structure of the Iccrea Banca program is subject to stringent regulatory constraints and provides for continuous oversight by the CFO and CRO areas, as well as monitoring by the Internal Audit function and an external auditor (Deloitte & Touche) in the role of Asset Monitor. In particular, the measures concern:

- assessments of the supervisory capital requirements for bond issues;
- audits of the quality and integrity of the assigned assets, in particular the estimated value of the properties to which the mortgages are attached. Action may consist of instructions to the assignor banks to carry out repurchases, make additions or conduct new sales of supplementary assets;
- audits of the maintenance of the correct relationship between the covered bonds issued and the assets transferred as collateral (cover pool);
- audits of compliance with the transfer limits and portfolio supplementation procedures.

Information on the nature of the risks associated with maintaining the Covered Bond Program is provided below:

- portfolio supplementation risks: the contractual documentation provides for an obligation to supplement the portfolio in order to comply with the tests required by applicable legislation. Failure to comply with these tests would represent an issuer event of default, with the consequent activation of the guarantee issued by the SPV. This risk is mitigated by the control mechanisms described above;

- risks relating to cross-collateralization: the participation of the mutual banks - as assignor banks within the program - means that they compete, pari passu with each other as subordinated creditors of the vehicle and, above all, assume the obligation for compliance with regulatory tests and maintaining the quality and integrity of the assets pledged as collateral for the covered bonds. This implies that the limitation of the liability of each assignor bank to the portion of the portfolio transferred to the SPV and the connection of the portfolio supplementation obligations of each assignor bank if the quality of its portfolio should deteriorate only has contractual force between the assignor banks, but is not in any way enforceable against the vehicle and the investors. In order to minimize these consequences, the contractual documentation envisages a coordinating role in the management of the portfolio aimed at limiting the possible impact of a sudden deterioration in the quality of the cover pool.
- liability under the Framework Servicing Agreement: under the provisions of this agreement, the SPV grants i) the role of Master Servicer to Iccrea Banca and ii) the role of Servicer to the banks, which thus act as the entities responsible for collections on the loans each has assigned to the SPV. The liability risk of Iccrea Banca as Master Servicer are therefore limited to the fulfillment of the obligations undertaken by the latter pursuant to the Framework Servicing Agreement and does not extend to the actions of the servicers, who are in turn directly liable to the SPV on an individual basis. Iccrea Banca also assumes the role of entity responsible for verifying the compliance of transactions with the law and the prospectus pursuant to Law 130.

E. PRUDENTIAL CONSOLIDATION – MODELS FOR MEASURING CREDIT RISK

The section has not been completed because the Group does not use internal portfolio models for measuring its exposure to credit risk.

1.2 MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS

The term supervisory trading book refers to the portfolio consisting of positions intentionally held for subsequent short-term disposal and/or taken on to benefit from short-term differences between purchase and sales prices, or other changes in prices or interest rates. In general, the supervisory trading book is represented by the positions held under an "other" business model, namely "held for sale", i.e. the portfolio including debt and equity securities, units in collective investment undertakings and derivatives held for trading purposes.

B. MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of market risk management within the entire Iccrea Cooperative Banking Group in compliance with the principles of sound and prudent management.

As provided for under the Cohesion Contract, the Parent Company defines market risk management policies, in accordance with the strategic planning and definition of the RAF.

This role is performed through the issue of specific policies and directives and the definition and application of specific governance mechanisms that govern the various stages (definition, approval, monitoring and reporting) that characterize the management of market risks.

RISK MANAGEMENT PROCESSES

Identification of risks

Operations in financial market, especially positions in the trading book, expose the Bank to market risks and other subcategories of risk. The identification of risks is mainly carried out in the process of specifying and updating risk models and metrics for market risks, and involves the following activities:

- the specification and updating of risk metrics, i.e. the evolution by the Risk Management department of measurement and monitoring methods on the basis of developments in markets, regulations and best practice;
- the approval process, conducted before the start of operations in a new financial instrument and the associated definition of the procedures for measuring fair value and risks.

Risk measurement and assessment

Risk Management is the main actor in the processes for development and using measurement models and metrics for market risk.

Updates of the models and metrics are identified by Risk Management in the performance of its duties, including analysis of regulatory requirements, market best practices and input from the business units involved (Finance in particular).

For the purpose of calculating capital requirements for market risks, the ICBG uses the standardized approach, in compliance with the relevant supervisory measures.

At the operational level, internal models are used for measurement purposes. The measurement metrics used for operational purposes to measure market risk can be classified as follows:

- probabilistic metrics:
  - Value at Risk (VaR) approach, which represents the main metric owing to its uniformity, consistency and transparency in relation to finance operations;
- deterministic metrics:

- level metrics (such as, for example, notional amounts and mark to market values), which represent an immediately applicable solution;
- analysis of sensitivity and Greeks, which are an essential complement to VaR indicators owing to their capacity to capture sensitivity and the direction of financial positions in response to changes in the identified risk factors;
- stress testing and scenario analysis, which complete the analysis of the overall risk profile, capturing changes due to specified developments in the underlying risk factors (worst case scenarios);
- loss, which represents the negative financial performance in a specified period of time of both closed and open positions.

Probabilistic metrics

Value at Risk (VaR)

An approach based on historical simulations is used to calculate VaR, (with a sample period of 3 years, confidence level of 99% and holding period of 1 day). The model currently covers the following risk factors:

- interest rates;
- inflation rates;
- exchange rates;
- stocks and stock indices;
- interest rate volatility;
- stock price volatility.

The current model can calculate VaR both for more detailed portfolios and for larger aggregates, permitting considerable granularity in the analysis, control and management of risk profiles and the effects of diversification. The possibility for calculating VaR at multiple levels of synthesis (consistent with the operating strategies of the portfolios and the organizational hierarchy of Finance) and the ability of the model to decompose VaR into different risk determinants make it possible to create an effective system of comparable cross-risk and cross-business limits.

Deterministic metrics

Sensitivity and Greeks of options

Sensitivity measures the risk associated with changes in the theoretical value of a financial position in response to changes in a defined amount of the associated risk factors. It captures the breadth and direction of the change in the form of multiples or monetary changes in the theoretical value without explicit assumptions about the holding period or correlations between risk factors. The main sensitivity indicators currently used are:

- PV01: the change in market value in response to a change of 1 basis point in the zero-coupon yield curve;
- Vega01: a change of 1 percentage point in implied volatilities on interest rates;
- IL01 (sensitivity to inflation): the change in market value in response to a change of 1 basis point in the forward inflation rate curve;
- Vega sensitivity to inflation: a change of 1 percentage point in implied volatilities on forward inflation rates;
- CR01: a change of 1 basis point in credit spreads;
- Delta: the ratio between the expected change in the price of options and a small change in the prices of the underlying financial assets;
- Delta1%: the change in market value in response to a change of 1% in equity prices;
- Delta Cash Equivalent: the product of the value of the underlying financial asset and the delta;
- Vega1%: the change in market value in response to a change of 1% in the implied volatility of equity prices/indices;
- Correlation sensitivity: the change in the market value in response to a 10% change in implied correlations.

Level metrics

The nominal position (or equivalent) is a risk indicator based on the assumption that there is a direct relationship between the size of a financial position and the risk profile.

The nominal position (or equivalent) is determined through the identification of:

- the notional value;
- the market value;
- the conversion of the position in one or more instruments into a benchmark position (the equivalent position);
- the FX open position.

The approach is characterized by extensive use of ceilings in terms of notional/mark-to-market amounts as they represent the value of the assets recognized in the financial statements. These metrics are used to monitor exposures to issuer/sector/country risk for the purposes of analyzing the concentration of exposures

Stress testing and scenarios

Stress tests measure the change in the value of instruments or portfolios in response to unexpected (i.e. extreme) changes in the intensity or correlation of risk factors. Scenario analyses measure the change in the value of instruments or portfolios in response to changes in risk factors in circumstances that reflect actual past situations or expectations of future developments in market variables.

Stress tests and scenario analysis are carried out by measuring the change in the theoretical value of positions in response to changes in the risk factors. The change can be calculated both through the use of linear sensitivity relationships (e.g. deltas) and through the revaluation of positions by applying the specified variations to the risk factors.

Loss

Loss is a risk metric representing the negative financial performance achieved on closed and open positions over a specified period of time.

Loss is determined by identifying, with the specified time interval:

- the component of realized profits and losses;
- the component of latent (unrealized) profits and losses calculated using the mark-to-market/mark-to-model value of open positions.

Loss is equal to the algebraic sum of the two components indicated above, if negative.

In determining loss, foreign currency positions still open are measured at the ECB end-of-day exchange rate.

The metric makes it possible to measure losses connected with the general risk profile of outstanding positions and the management of the portfolio, identifying any deterioration in the profitability of financial operations.

It is helpful in monitoring the performance of the portfolio, given the risk profile assumed, when:

- more sophisticated measurement systems are not present;
- it is impossible to capture all risk factors;
- timely control and management of limits is required.

RISK PREVENTION AND ATTENUATION

Risk Management conducts backtesting of operational measurement models on an ongoing basis. The effectiveness of the calculation model is monitored daily through backtesting, which by comparing the forecast VaR with the corresponding profit or loss shines light on the capacity of the model to accurately capture the variability of the revaluation of the trading positions statistically. This approach makes it possible to:

- strengthen the effectiveness of the dialogue between Risk Management and the front office;
- enhance awareness of the actual performance dynamics of the portfolios;
- break down and interpret the sources and causes of daily changes in P&L;
- identify and monitor any risk factors that are not fully captured by the calculation models adopted.

In addition to the backtesting noted earlier, the effective management of market risks is ensured using a comprehensive system of limits, which is a key tool for the management, control and attenuation of risks. The development of this system, which is a key element of the Risk Management Framework, took account of the nature, objectives and operational complexity of the Group.

The overall system of market risk indicators comprises indicators included in and governed by the RAS and more strictly operational indicators set out in the risk governance policies.

The controls established to manage market risks break down into:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the market risk profile and ensure the correct activation of escalation mechanisms;
- Level III controls (Internal Audit), which are intended to verify compliance with rules and procedures as well as internal and external regulations.

Risk management and mitigation activities are governed by a set of codified and formalized rules that envisage:

- the activities and actions that must be performed in each operating and business segment in order to manage developments in risks;
- the adoption of measures to manage any irregularities;
- the actions to be taken in the event the risk objectives, tolerances or limits specified in the Risk Appetite Statement are breached;
- the actions to be taken in the event the limits specified in the risk policies are breached.

MONITORING AND REPORTING

The second-level controls, carried out by the Market & Counterparty Monitoring & Control unit, are aimed at monitoring the Bank’s exposure to market risks on a daily basis, in order to prepare reporting to be sent to the competent units and to monitor/verify the implementation of escalation mechanisms by the trading desks involved if the specified limits are breached. Control activities are based on the assessment and measurement of the risk profile compared with the risk indicators and represents a key control element that regards both the monitoring of specific indicators and verifying and analyzing any breaches of risk appetite and/or risk limit thresholds.

These activities therefore perform an “ex post” control function in relation to the continuous monitoring of all indicators that signal breaches of assigned risk levels, but they also serve an “ex ante” function in signaling the approach of risk profiles towards the threshold/limit/risk propensity levels. Therefore, the effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk targets/tolerances established in determining the RAS/risk limits;
- the prompt activation of recovery plans in response to specified conditions on the basis of the “magnitude” of the over-limit position.

The market risk control and monitoring activities are governed within a set of internal regulations defining the roles and responsibilities of the various actors involved in the process.

At the operational level, communication between operational units and Risk Management occurs on a daily basis through extensive discussion of risk developments, increasing awareness of the risks assumed (in line with defined profit targets) and thereby facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The content, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

In particular, Risk Management performs codified and formalized monitoring and reporting activities within the Risk Appetite Framework and the Risk Policies, with the preparation of periodic reporting to provide appropriate disclosure to the management functions, senior management and the Board of Directors.

IMPACT OF THE COVID-19 PANDEMIC

The risk measurement and control system has not undergone significant changes as a result of the COVID-19 pandemic as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency.

QUANTITATIVE DISCLOSURES

1. SUPERVISORY TRADING BOOK: DISTRIBUTION BY RESIDUAL MATURITY (REPRICING DATE) OF ON-BALANCE-SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. SUPERVISORY TRADING BOOK: DISTRIBUTION OF EXPOSURES IN EQUITY SECURITIES AND EQUITY INDICES BY MAIN COUNTRIES OF LISTING

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

3. SUPERVISORY TRADING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

With regard to market risks on the trading book, which are managed at the Group level by Iccrea Banca, a risk tolerance of €15 million in 1-day VaR with a 99% confidence level has been established. In the first half of 2022, the risk profile of all trading operations never breached the RAS limit.

The average VaR of the trading book was €0.53 million, with a minimum of €0.32 million and a maximum of €0.80 million (registered on November 16, 2022).

At December 31, 2022 the VaR was €0.48 million.

Daily VaR Trading Book	Notional (in €/millions) at 31/12/2022	VaR	
		Limit	Risk Profile
GBCI	16,531	15	0.48

The following table reports sensitivities by risk factor at December 31, 2022, which correspond to the change in the market value of the trading book as the risk factors change (see section “Deterministic Metrics, Sensitivity and Greeks of Options”).

	Sensitivity Value (in €)	Note
Interest Rates	31,700	Sensitivity calculated in relation to 1 bp change
Inflation Rates	122	
Credit spread	20,975	
Equity	20,370	Sensitivity calculated in relation to 1% change in the share/stock index

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of interest rate risk management for the banking book within the entire Iccrea Cooperative Banking Group in compliance with the principles of sound and prudent management.

As provided for under the Cohesion Contract, the Parent Company defines interest rate risk management policies, in accordance with the strategic planning and definition of the RAF.

This role is performed through the issue of specific policies and directives and the definition and application of specific governance mechanisms that govern the various stages (definition, approval, monitoring and reporting) that characterize the management of interest rate risk on the banking book.

RISK MANAGEMENT PROCESSES

Identification of risks

The interest rate risk on the banking book is the risk originated by differences in the maturities and in the timing of the repricing of interest rates on the assets and liabilities in the banking book. In the presence of these differences, fluctuations in interest rates giver rise to both a short-term change in expected profit, through the impact on net interest income, and a long-term impact on the economic value of shareholders' equity, through the change in the market value of assets and liabilities.

Based on the composition of the current banking book and expected developments envisaged in strategic and operational planning, the Group identifies sources of interest rate risk to which it is exposed, classifying them in the following risk sub-categories: the risk deriving from mismatches in maturities (for fixed-rate positions) and repricing dates (for variable-rate positions), or changes in the slope or shape of the yield curve (yield curve risk), basis risk, option risk and credit spread risk on banking book (CSRBB).

Risk measurement and assessment

The measurement of interest rate risk on the banking book is based on the current earnings approach and the economic value approach and is carried out for the purpose of:

- continuous monitoring of the risk profile by controlling the overall system of indicators that characterize the IRRBB Framework and the various "additional metrics" that have been defined;
- performing stress testing, which provides for the estimation of the impact of severe but plausible adverse market scenarios on the banking book.

The risk exposure is measured using a static or dynamic approach depending on the assessment approach adopted:

- economic value approach: this seeks to assess the impact of possible adverse changes in interest rates on the economic value of the banking book (economic value of equity), construed as the present value of the expected cash flows of assets, liabilities and off-balance sheet positions within the scope of analysis. Under this perspective, the analysis is conducted using a static "gone concern" approach, in which we assume the run-off of positions at maturity, without any replacement or renewal, or using a dynamic approach, developing projections for new operations that are consistent with the assumptions defined during strategic planning.
- earnings approach: this seeks to assess the potential effects of adverse interest rate variations on the profitability of the banking book, i.e. net interest income, and on fair value changes recognized through profit or loss or OCI. In this perspective, the analysis is conducted using a dynamic "going-concern" approach, with a "constant balance sheet" view, assuming that positions are rolled over at maturity so as to leave the size and composition of the balance sheet unchanged, or a "dynamic balance sheet" view, developing projections for new business that are consistent with the hypotheses defined in strategic planning.

Specific models are adopted in both cases that ensure adequate quantification of the risk associated with positions that exhibit repricing behavior that differs from the contractual profile.

The metrics adopted in the economic value approach to measure the sensitivity of the economic value of the banking book (∆EVE – EVE sensitivity) are based on a full evaluation approach. The change in the expected value of the banking book is calculated using an approach that involves the discounting of the cash flows of items in the book in a base scenario with no interest rate variations and one with interest rate variations. The overall metric can be broken down by time bucket in order to identify the distribution of risk over time ("bucket sensitivity").

In determining EVE, equity must be excluded from the calculation in order to measure the potential change in value of free capital following changes in the yield curves.

The metrics used in the current earnings approach to measures the sensitivity of the net interest income of the banking book (∆NII – NII sensitivity) are:

- Full Evaluation: the potential impact on net interest income of potential changes in risk-free rates is calculated using a method that provides for the comparison, for a selected time horizon, between expected net interest income in the case of a change in interest rates and expected net interest income in a baseline scenario with no such changes. This methodology is also adopted in stress tests to quantify the impacts on net interest income of possible changes in credit spreads (CSRBB);
- Earnings at Risk: a metric aimed at measuring the loss of profitability due to changes in interest rates, considering, in addition to the impact on net interest income, the effects on changes in the fair value of the instruments recognized (depending on their accounting treatment) in profit or loss or directly in equity;
- Repricing gap: this measures the sensitivity of net interest income to changes in the reference rate by aggregating assets and liabilities in time buckets by repricing date. Assets and liabilities are aggregated in a number of predefined time buckets based on their next contractual repricing date or behavioral hypotheses. The weighting of the exposure for each time bucket for the time between the repricing date and the selected time horizon and the subsequent application of the assessment scenarios defined by the Group makes it possible to capture the impact of a change in rates on net interest income.

The measurement scenarios applied to interest rates are intended to monitor the risk categories to which the Bank may be exposed. Each can be associated with internally developed or regulatory scenarios.

- gap risk: in order to monitor this category of risk, parallel and non-parallel shocks of the risk-free yield curves are used in order to assess the impact on economic value and net interest income; in particular; in order to monitor this risk category, parallel and non-parallel shocks to the risk-free yield curves are used in order to assess their impact on economic value and on net interest income. In addition to the scenarios envisaged for regulatory purposes, in the standard outlier test, internally defined scenarios are used based on prudential assessments and historical analyses of observed changes in rates;
- basis risk: the analysis provides for the segmentation of the banking book based on the market parameters to which the items involved are indexed and the analysis of the time series of basis spreads with respect to the pivot rate (3-month Euribor) for the purpose of determining the size of the shocks to be applied to each;
- option risk: the analysis includes a preliminary identification of the automatic/behavioral option components in the assets and liabilities of the Bank's banking book and the subsequent:
  - historical analysis of the observed changes in volatility, to determine the magnitude of the shocks to be applied for the purpose of quantifying the automatic option risk;
  - verification of the impact of interest rate shocks on the behavioral model parameters, for the purpose of quantifying the behavioral option risk.
- CSRBB: internally defined scenarios are used based on prudential assessments and historical analyses of the observed changes in credit spreads.

In order to monitor risk limits, parallel and non-parallel shock scenarios are adopted. To monitor the additional metrics subject to reporting requirements, scenarios involving shocks to the yield curves are also envisaged in addition to those adopted as a reference for the determination of risk limits. As part of stress testing, further scenarios are used on periodic basis to signal potential areas of weakness in the presence of particular market conditions.

Risk prevention and attenuation

Interest rate risk is managed using a comprehensive system of limits, which is a key tool in the management, control and attenuation of risks within the IRRBB Framework, taking account of the nature, objectives and complexity of Group operations.

The system of limits (EWS, RAS and Risk Limits) is defined by the Parent Company in accordance with its management and coordination role and implemented through a cascading process with the subsidiaries (where applicable), in line with the risk management model adopted.

In addition to the above system of limits, a comprehensive system of arrangements and controls contributes to defining the overall control model set out and formalized in the associated policy.

The controls established to manage interest rate risk on the banking book break down as follows:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the interest rate risk profile and activate escalation mechanisms;
- Level III controls (Internal Audit), which are intended to verify compliance with rules and procedures as well as internal and external regulations.

Monitoring and reporting

The second-level controls, carried out by Risk Management, are aimed at monitoring the Bank's exposure to interest rate risk in order to prepare reporting to be sent to the competent units and to trigger escalation mechanisms with the collaboration of the operating units involved if the specified limits are breached. Control activities are based on the assessment and measurement of the risk profile compared with the risk indicators provided for by the risk governance framework. The effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk limits established;
- the prompt activation of recovery plans in response to specified conditions on the basis of the "magnitude" of the over-limit position.

The interest rate risk control and monitoring activities are performed within the framework of a set of internal regulations. At the operational level, communication between operational units and Risk Management occurs on a daily basis through extensive discussion of risk developments, increasing awareness of the risks assumed (in line with defined profit targets) and thereby facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The contents, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

More specifically, the Risk Management function performs monitoring and reporting activities that are codified and formalized within the Risk Appetite Framework and the risk policies, preparing periodic reports and providing appropriate disclosure to the operating units, top management and the Board of Directors.

Stress test framework

In order to assess the potential impact of market tensions on the profitability and economic value of the banking book, stress test simulations are also conducted in addition to specific measurements of the exposure to risk.

The stress tests are intended to measure the extent to which the exposure to interest rate risk on the banking book could worsen in especially adverse market conditions.

The scenarios used in measuring the exposure to the different sources of risk and in analyzing stress tests are based on both regulatory shocks and, where the regulatory scenarios are not considered fully representative of especially averse conditions, shocks defined internally.

In accordance with regulatory provisions, the Group develops scenarios characterized by larger movements in yield curves than the shocks applied for the continuous monitoring of the IRRBB in order to test the vulnerabilities of the banking book in the presence of stress conditions.

In line with the applicable regulatory guidelines, the Group has adopted various types of mutually complementary analyses where appropriate:

- sensitivity analysis: analysis of the exposure to the IRRBB and the CSRBB with respect to the marginal impact of different types of shocks, considered separately or jointly, relating to one or more risk factors;
- reverse stress testing: analysis consisting in identifying one or more stress scenarios whose impact leads to a pre-established result identified ex-ante. The reverse stress testing makes it possible to investigate, using a recursive analysis process, the size and probability of occurrence of the events that lead to this result;
- scenario analysis: analysis consisting in the assessment of the Group's ability to cope with a potential increase in its exposure to IRRBB and CSRBB based on a combination of shocks associated with one or more risk factors in accordance with specific evolutionary stress dynamics.

Depending on the purpose of the analysis, the time horizon of the stress exercise, the speed of propagation of shocks and the approach to be adopted for the projection of operations (static/dynamic) are defined.

For each of the risk categories identified it is possible to define the associated risk factor(s), understood as an exogenous variable whose shock can have a negative impact on the economic value of the banking book and/or on the associated net interest income, in terms of smaller-than-expected loss or profit. In this perspective, the identification of risk factors is a preliminary phase in the definition of the shocks associated with stress scenarios.

All the stress scenarios adopted are generally calibrated using the historical simulation approach, based on prudential percentiles of the

empirical distributions associated with the various risk parameters, using expert-based adjustments where appropriate in order to integrate forward-looking elements that are not present in the available historical data. To these scenarios, we add “purely” historical scenarios (i.e. without calculating a percentile of the historical empirical distribution), scenarios defined on a judgmental basis and scenarios provided by external sources (e.g. EBA Stress Test scenario).

IMPACT OF THE COVID-19 PANDEMIC

The risk measurement and control system has not undergone significant changes as a result of the COVID-19 pandemic as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency.

QUANTITATIVE DISCLOSURES

1. BANKING BOOK: DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY (REPRICING DATE)

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. BANKING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

The interest rate risk on the banking book used for management purposes with regard to sensitivity indicators for economic value and net interest income at December 31, 2022 is reported below.

€/ million	Scenario	
	-100 bp	+100 bp
Impact on economic value	+ 144	+ 369
Impact on net interest income	- 239	+ 339

1.2.3 EXCHANGE RATE RISK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF EXCHANGE RATE RISK

The exchange rate risk management strategy (the FX risk factor) is based on the analysis of market developments and the different currencies in which operations are denominated. The strategy is differentiated in accordance with the type of operations:

- for major currencies (hard currencies), operators, based on the analysis of economic, macroeconomic and money management data, manage operations both to optimize existing positions and generate a profit;
- for minor currencies (local currencies), exchange rate risk is managed with a view to the total minimization of risks, except in unusual macroeconomic situations, by reducing exposures exceeding the thresholds defined with market operations of the opposite sign.

Trading is carried out on the foreign exchange and foreign exchange derivatives markets both through spot trading and through the management of short/medium-term forward positions (outright operations). The strategy of the desk is therefore aimed at intraday/multiday transactions in order to generate profit from movements in the spot foreign exchange market. Forex swaps are used to engage in forward operations, based on expectations for interest rates and exchange rates, so as to generate a profit from maintaining open short/medium-term positions in foreign currency. Based on its own analyzes, the desk also seeks to improve its profitability by taking positions in options on exchange rates.

All operations are based on techniques and methods defined and agreed at the desk level, based on operating limits assigned to the managers and operational staff that are consistent with the provisions of the risk policies.

B. HEDGING EXCHANGE RATE RISK

Operations are mainly concentrated in major currencies. The Bank adopts a system of daily operating limits on the overall foreign exchange exposure, as well as the net foreign exchange positions in respect of individual currencies. The overall limit is segmented into partial ceilings on the basis of the importance of the various currencies.

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QUANTITATIVE DISCLOSURES

1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

	Currency					
	USD	GBP	JPY	CAD	CHF	OTHER CURRENCIES
A. Financial assets	**126,303**	**9,347**	**7,050**	**9,104**	**21,944**	**7,795**
A.1 Debt securities	15,687	85	-	-	-	2,345
A.2 Equity securities	24,136	4,604	-	-	618	-
A.3 Loans to banks	36,180	2,901	4,179	9,104	1,666	5,450
A.4 Loans to customers	50,300	1,758	2,872	-	19,661	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**17,137**	**6,201**	**777**	**1,842**	**10,652**	**2,740**
C. Financial liabilities	**163,576**	**17,053**	**689**	**3,872**	**16,733**	**6,510**
C.1 Due to banks	25,533	9,157	8	8	60	3,282
C.2 Due to customers	138,043	7,896	681	3,864	16,674	3,228
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**381**	**7**	**-**	**13**	**45**	**-**
E. Financial derivatives						
- Options						
+ Long position	2,115	-	2,179	-	-	-
+ Short positions	2,115	-	2,179	-	-	-
- Other derivatives						
+ Long positions	5,138,567	228,737	695,537	1,214,183	839,049	373,235
+ Short positions	5,116,368	226,777	702,590	1,213,948	853,052	375,895
Total assets	**5,284,122**	**244,285**	**705,543**	**1,225,129**	**871,646**	**383,771**
Total liabilities	**5,282,440**	**243,836**	**705,458**	**1,217,833**	**869,830**	**382,404**
Difference (+/-)	**1,681**	**449**	**85**	**7,296**	**1,815**	**1,366**

2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODS

There is no information to report.

1.3 DERIVATIVES AND HEDGING POLICIES

1.3.1 FINANCIAL DERIVATIVES HELD FOR TRADING

A. FINANCIAL DERIVATIVES

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: END-PERIOD NOTIONAL VALUES

	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements	
1. Debt securities and interest rates	1,344,972	2,098,222	1,267,039	-	-	3,118,150	1,404,963	-
a) Options	-	306,716	253,366	-	-	425,368	268,769	-
b) Swaps	1,344,972	1,760,206	1,013,674	-	-	2,692,783	1,096,157	-
c) Forwards	-	-	-	-	-	-	37	-
d) Futures	-	31,300	-	-	-	-	40,000	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	4,338	570	-	-	-	1,714	-
a) Options	-	2,028	-	-	-	-	1,132	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	570	-	-	-	570	-
d) Futures	-	2,310	-	-	-	-	12	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign currencies and gold	-	9,556,419	1,351,067	-	-	865,160	243,264	-
a) Options	-	5,714	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	9,550,705	1,351,067	-	-	865,160	243,264	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other underlyings	-	-	-	-	-	-	-	-
Total	**1,344,972**	**11,658,979**	**2,618,676**	**-**	**-**	**3,983,311**	**1,649,942**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

	31/12/2022				31/12/2021			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements	
1. Positive fair value								
a) Options	-	10,854	-	-	-	1,981	89	-
b) Interest rate swaps	81,935	37,969	1,597	-	-	120,772	19,879	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	87,094	8,071	-	-	8,230	5,818	-
f) Futures	-	789	-	-	-	-	304	-
g) Other	-	-	-	-	-	-	-	-
Total	**81,935**	**136,706**	**9,668**	**-**	**-**	**130,984**	**26,091**	**-**
2. Negative fair value								
a) Options	-	1,034	13,422	-	-	696	1,900	-
b) Interest rate swaps	169	44,522	77,702	-	-	140,316	1,143	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	67,860	26,950	-	-	12,882	71	-
f) Futures	-	55	-	-	-	-	284	-
g) Other	-	-	-	-	-	-	-	-
Total	**169**	**113,472**	**118,074**	**-**	**-**	**153,894**	**3,398**	**-**

A.3 OVER-THE-COUNTER FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X	5,873	40,372	1,220,794
- positive fair value	X	745	-	852
- negative fair value	X	-	2,314	88,811
2) Equity securities and equity indices				
- notional value	X	-	570	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign currencies and gold				
- notional value	X	925,793	417,336	7,938
- positive fair value	X	7,898	1	172
- negative fair value	X	1,730	25,092	127
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other assets				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	1,344,972	1,908,258	189,964	-
- positive fair value	81,935	35,310	13,945	-
- negative fair value	169	38,006	7,443	-
2) Equity securities and equity indices				
- notional value	-	4,338	-	-
- positive fair value	-	225	-	-
- negative fair value	-	30	-	-
3) Foreign currencies and gold				
- notional value	-	7,385,456	2,170,963	-
- positive fair value	-	71,826	15,401	-
- negative fair value	-	45,926	22,067	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other assets				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	5,511,184	(1,318,756)	517,806	4,710,233
A.2 Financial derivatives on equity securities and equity indices	4,338	-	570	4,908
A.3 Financial derivatives on exchange rates and gold	10,907,485	-	-	10,907,485
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2022	**16,423,008**	**(1,318,756)**	**518,376**	**15,622,627**
Total 31/12/2021	**3,818,642**	**810,415**	**1,004,196**	**5,633,253**

B. CREDIT DERIVATIVES

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

1.3.2 HEDGE ACCOUNTING

QUALITATIVE DISCLOSURES

For the purposes of hedge accounting, the Group applies the provisions contained in IAS 39 since at the time of initial application of IFRS 9 it elected the option provided for in paragraph 7.2.21 of that standard to continue to apply in full the rules of IAS 39 for all types of hedging (micro and macro).

The hedge contracts are transacted on the basis of the provisions of specific company policies and mainly used to manage interest rate risk on the banking book arising from the normal business operations of the individual banks and the Parent Company, pursuing the objective of reducing the risk profile within the limits of the Risk Appetite Framework as defined and quantified by their respective competent bodies. These limits concern the exposure of the Group both in terms of net interest income sensitivity and economic value sensitivity.

In particular, all the hedges established by the affiliated banks with the Parent Company with respect to which the latter enters into an identical and opposite position in derivatives with the market are represented in the same way at the consolidated level: hedges originally established by the affiliated banks regard portfolios of loans to customers, securities holdings and, to a marginal extent, bonds in issue. On the other hand, transactions involving the hedging of loans to customers or securities of a minor nature (mainly by notional amount) between the affiliated banks and the Parent Company, provide for the latter to manage the consequent risk position on a "synthetic" basis, which is reported in the consolidated financial statements through the designation of generic fair value hedges established in respect of interest rate risk. The life cycle of a hedge accounting relationship starts with the so-called "designation" phase. With the designation of the hedging relationship, the company identifies the instruments through which it intends to implement the hedging strategy, as defined by the manager of the risk being hedged and in compliance with the principles established in the Group Hedging Policy, which defines the methods of measuring effectiveness by type of hedge.

Once a hedging relationship has been designated, it must be demonstrated that the hedge is highly effective in offsetting fair value changes attributable to the hedged risk or stabilizing the cash flows attributable to the hedged risk during the period for which the hedge is designated.

The effectiveness of the hedge is demonstrated at the inception date and measured at the periodic reporting dates (March 31, June 30, September 30 and December 31).

The effectiveness of the hedge is measured by conducting so-called effectiveness tests (prospective and retrospective) based on both qualitative and quantitative methods, complying with the criterion of continuity. A hedging relationship is considered effective if at each measurement date both tests (prospective and retrospective) are passed. The failure of the effectiveness test(s) should result in the discontinuance of the hedging relationship, i.e. the termination of hedge accounting.

A. FAIR VALUE HEDGING

Fair value hedging is used to immunize changes in the fair value, attributable to the different risk factors, of financial assets and liabilities or portions of them, of groups of assets/liabilities, of irrevocable commitments and portfolios of financial assets and liabilities.

The Group adopts both specific hedges (micro fair value hedges) and generic hedges (macro fair value hedges). These hedges therefore apply both to well-identified financial instruments (government securities – both fixed rate and indexed to European and Italian inflation – deposits, bond issues, loans and other financing) and to portfolios of fixed-rate and variable-rate financial instruments (government securities, loans).

Within the scope of micro fair value hedging, hedges are mainly used for securities holdings and bonds issued, while macro hedging is applied to portfolios of fixed-rate loans, variable-rate loans and a single portfolio of debt securities classified as FVOCI under the HTCS business model.

The main types of derivatives used are represented by plain or structured interest rate swaps (IRS), and asset and yield swaps (ASW) entered into with third parties to ensure compliance with the requirement to externalize risk, which is necessary to qualify for hedge accounting at the consolidated level, in compliance with the provisions of paragraph 73 of IAS 39. These derivatives are not listed on regulated markets, but are traded on OTC markets.

The effects of designating the hedging relationship begin at the inception of the hedge with the identification of the portion and the type of hedged risk, the hedging strategy and the hedging instrument in accordance with the principles the Group has established concerning the methodology used to assess the effectiveness of the hedging relationship.

B. CASH FLOW HEDGING

Cash flow hedging seeks to hedge the exposure to the variability of future cash flows attributable to particular risks associated with balance sheet items or highly probable forecast transactions or to hedge exchange rate risk.

The Group adopts specific hedges of assets (micro cash flow hedge) represented by fixed-rate, variable rate (CCTs) and euro inflation-linked government securities.

C. HEDGING OF INVESTMENTS IN FOREIGN OPERATIONS

In 2022, the Group did not undertake hedging of exchange rate risk on foreign currency transactions.

D. HEDGING INSTRUMENTS

Designated hedging transactions, with formal documentation identifying the relationship between the hedged instrument and the hedging instrument, are considered effective if at inception and for the entire duration of the hedging relationship changes in the fair value or the cash flows of the hedged instrument are almost completely offset by changes in the fair value or cash flows of the hedging derivative. The effectiveness of the hedge depends on the extent to which the changes in the fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is quantified by comparing the aforementioned changes, taking account of the intent pursued by the company at the time the hedge was established.

A hedge is effective when the changes in the fair value (or cash flows) of the hedging instrument almost entirely, i.e. within the specified limits, offset the changes in the hedged instrument for the risk being hedged.

Effectiveness is assessed at each annual or interim reporting date using:

- prospective tests aimed at demonstrating that changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk will be such as to offset changes in the fair value or cash flows of the hedged item. They are performed adopting both qualitative (Critical Term Match) and quantitative methods ("cumulative scenario method" or "linear regression method with curve simulation");
- retrospective tests aimed at measuring the actual effectiveness of the hedging relationship between the date of designation and the test date, determining the deviation of hedging relationships from the result that would be achieved with a perfect hedge. These tests are performed using quantitative methods, i.e. the dollar offset method and the volatility risk reduction method.

The main causes of ineffectiveness are attributable to the following:

- a misalignment between the notional of the derivative and the nominal of the hedged instrument at the time of the initial designation or generated subsequently, as in the case of partial repayments or full extinguishment of loans or the repurchase of bonds;
- the approach of the expiry of the transaction.

The ineffectiveness of the hedge is recognized promptly for the purposes of:

- determining the impact on profit or loss;
- assessing the possibility of continuing to apply hedge accounting rules.

If the assessments do not confirm the effectiveness of the hedge, the relationship considered terminated as of the last date from which the relationship was shown to be effective. This date coincides with the beginning of the period in which the effectiveness test was failed. However, if the event or the circumstances that led to the hedging relationship no longer meeting the criteria for effectiveness are identified and it is shown that the hedge was effective before the event or change in the circumstances occurred, hedge accounting is discontinued from the date of the event or change in those circumstances. The hedging derivative, if not extinguished, may be designated as a hedging instrument in another relationship that meets the relevant or be reclassified as a trading instrument.

The Group does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. HEDGED ITEMS

At the Group level, hedged items designated as being in a hedge accounting relationship using micro and macro hedges are mainly government securities, bond issues of the Parent Company and loans to customers in the form of residential mortgages and leases as well as a loan to a company within the direct scope of consolidation.

These hedges are both total and partial and the hedged risk is mainly interest rate risk.

Debt securities held

These are hedged using micro fair value hedge, macro fair value hedge and micro cash flow hedge, involving IRSs and ASWs. In fair value hedges, interest rate and inflation risk are hedged for the duration of the obligation, while in cash flow hedges, as discussed above, the risk of changes in the sale price of the underlying instrument is hedged. The effectiveness tests are carried out using the dollar offset method for retrospective assessment and the cumulative scenario method for prospective assessment.

Debt securities issued

The Group currently has active micro fair value hedging relationships for fixed-rate funding, using IRSs as hedging instruments. Interest rate risk is hedged for the life of the obligation.

Fixed-rate loans

The Group has designated micro fair value hedges and macro fair value hedges for interest-rate loans to customers, mainly using amortizing IRSs as hedging instruments. The interest rate risk is hedged for the entire term of the hedged item. For micro-type hedges, the effectiveness tests are carried out using the dollar-offset method for retrospective assessment and the cumulative scenario method for prospective assessment. For macro hedges of loans, the capacity of the portfolio subject to designation is verified with respect to the notional amount outstanding at the reporting date of the corresponding hedging derivative. Having passed this first test, effectiveness is quantified both retrospectively and prospectively by applying the dollar offset method. For macro hedges of leases, the criterion of the lower between the nominal value of the hedged item and the notional of the hedging derivative is adopted for the purpose of measuring the change in the fair value of the hedged item, performing the retrospective effectiveness test by applying volatility risk reduction method.

Variable-rate loans

The Group has designated micro fair value hedges and macro fair value hedges for variable-rate loans to customers, using caps, floors or collars with an amortizing notional as hedging instruments. The hedged risk is the risk of a rise (decrease) in rates above (below) the strike of the implicit caps (floors) as well as the probability that the benchmark rate is greater (lower) or approaches the strike rate itself. The hedged rate is the contractually determined strike rate for the individual loans granted by the Bank. The identity of the individual loans making up the hedged portfolio in terms of strike rate level compared with Euribor flat (net of the spread), indexing parameter, date of observation of the indexing parameter, frequency of the individual caplet (frequency of repayments of the amortization plan) is a necessary condition. For micro hedges, the effectiveness tests are carried out using the dollar offsetting method for the retrospective profile and the cumulative scenario for the prospective profile. For macro hedges of loans, the capacity of the designated portfolio is checked first of all with respect to the notional value, at the reporting date, of the corresponding hedge derivative and therefore, after passing this first test, effectiveness is quantified retrospectively and prospectively by applying the dollar offsetting method.

IFRS 7 DISCLOSURES ON THE INTEREST RATE BENCHMARK REFORM

Following up on the regulatory framework defined by Regulation (EU) 2016/1011 of the European Parliament and of the Council of June 8, 2016 (the Benchmarks Regulation, BMR), the European Commission issued Regulation (EU) 2020/34 amending IFRS 9, IAS 39 and IFRS 7. These changes introduce provisions aimed at taking account of and underscoring the consequences of the reform of interest rate benchmarks for financial reporting. They also seek to enable allowing companies to continue with the correct application of hedge accounting rules, assuming that the benchmark indices for determining existing interest rates are not changed as a result of the reform of interbank rates.

These disclosures must be provided in particular in the period preceding the replacement of an interest rate benchmark with an alternative reference rate.

The information required by paragraph 24 H of IFRS 7 is provided below:

- the significant interest rate benchmarks to which the entity's hedging relationships are exposed:

Hedge type	Benchmark
Hedge of loans to customers	1, 6 month EURIBOR
Hedge of securities holdings	6 month EURIBOR
Hedge of bonds issued	6 month EURIBOR

- the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;

Hedge type	Nominal amount of hedging derivatives (thousands of euros)
Hedge of loans to customers	5,323,485
Hedge of securities holdings	7,070,249
Hedge of bonds issued	8,000

- the nominal amount of the hedging instruments in those hedging relationships is as follows:

Hedge type	Nominal amount of hedging derivatives (thousands of euros)
Hedge of loans to customers	5,323,485
Hedge of securities holdings	7,070,249
Hedge of bonds issued	8,000

- for other information required by paragraph 24 H of IFRS 7, please see Part A "Accounting policies".

QUANTITATIVE DISCLOSURES

A. FINANCIAL HEDGING DERIVATIVES

A.1 FINANCIAL HEDGING DERIVATIVES: END-PERIOD NOTIONAL VALUES

	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements	
1. Debt securities and interest rates	**9,965,009**	**9,820,451**	**-**	**-**	**-**	**14,609,927**	**9,764**	**-**
a) Options	-	231,887	-	-	-	277,448	-	-
b) Swaps	9,965,009	9,588,564	-	-	-	14,332,479	9,764	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign currencies and gold	**-**	**1,838**	**34,453**	**-**	**-**	**882**	**26,050**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	1,838	34,453	-	-	882	26,050	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**9,965,009**	**9,822,289**	**34,453**	**-**	**-**	**14,610,809**	**35,814**	**-**

A.2 FINANCIAL HEDGING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

	Positive and negative fair value								Change in value used to calculate hedge effectiveness	
	Total 31/12/2022				Total 31/12/2021				Total 31/12/2022	Total 31/12/2021
	Over the counter			Organized markets	Over the counter			Organized markets		
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties				
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements			
Positive fair value										
a) Options	-	4,513	-	-	-	3,622	-	-	-	-
b) Interest rate swaps	1,617,839	268,751	-	-	-	39,158	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	39	850	-	-	1	178	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**1,617,839**	**273,302**	**850**	**-**	**-**	**42,781**	**178**	**-**	**-**	**-**
Negative fair value										
a) Options	-	5,030	-	-	-	-	-	-	-	-
b) Interest rate swaps	1,474	343,398	-	-	-	494,055	727	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	166	-	-	21	465	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**1,474**	**348,428**	**166**	**-**	**-**	**494,076**	**1,192**	**-**	**-**	**-**

A.3 OVER-THE-COUNTER FINANCIAL HEDGING DERIVATIVES: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign currencies and gold				
- notional value	X	-	-	34,453
- positive fair value	X	-	-	850
- negative fair value	X	-	-	166
4) Other assets				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	9,965,009	8,459,733	1,360,718	-
- positive fair value	1,617,839	264,009	9,255	-
- negative fair value	1,474	255,436	92,992	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign currencies and gold				
- notional value	-	-	-	1,838
- positive fair value	-	-	-	39
- negative fair value	-	-	-	-
4) Other assets				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other	-	-	-	-
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

	up to 1 year	more than 1 year and up to 5 years	more than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,720,241	7,836,753	8,228,465	19,785,459
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	35,365	926	-	36,291
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2022	**3,755,606**	**7,837,680**	**8,228,465**	**19,821,751**
Total 31/12/2021	**3,985,943**	**3,807,173**	**6,853,507**	**14,646,623**

B. CREDIT HEDGING DERIVATIVES

The section has not been completed because there are no such positions.

C. NON-DERIVATIVE HEDGING INSTRUMENTS

The section has not been completed because there are no such positions.

D. HEDGED ITEMS

Although the Group has made use of the exception envisaged by IFRS 9, consisting in the possibility of continuing to apply the provisions governing hedging of IAS 39, the information on the hedged instruments required in this section is provided below.

D.1 FAIR VALUE HEDGES

	Micro hedges: carrying amount	Micro hedges		Macro hedges: carrying amount
		Cumulative value of fair value changes of the hedged instrument	Change in value used to calculate hedge effectiveness	
A. ASSETS				
1. Financial assets measured a fair value through other comprehensive income – hedges of:	**419,609**	**92,608**	**-**	**32,600**
1.1 Debt securities and interest rates	419,609	92,608	-	X
1.2 Equity securities and equity indices	-	-	-	X
1.3 Foreign currencies and gold	-	-	-	X
1.4 Loans	-	-	-	X
1.5 Other assets	-	-	-	X
2. Financial assets measured at amortized cost – hedges of:	**8,951,976**	**1,465,852**	**-**	**5,543,183**
1.1 Debt securities and interest rates	8,951,976	1,465,852	-	X
1.2 Equity securities and equity indices	-	-	-	X
1.3 Foreign currencies and gold	-	-	-	X
1.4 Loans	-	-	-	X
1.5 Other assets	-	-	-	X
Total 31/12/2022	**9,371,585**	**1,558,461**	**-**	**5,575,783**
Total 31/12/2021	**10,756,164**	**188,816**	**-**	**4,997,901**
B. LIABILITIES				
1. Financial liabilities measured at amortized cost – hedges of:	**83,767**	**8,444**	**-**	**10,675**
1.1 Debt securities and interest rates	83,767	8,444	-	X
1.2 Foreign currencies and gold	-	-	-	X
1.3 Other assets	-	-	-	X
Total 31/12/2022	**83,767**	**8,444**	**-**	**10,675**
Total 31/12/2021	**94,645**	**(1,705)**	**-**	**9,592**

D.2 CASH FLOW HEDGES AND HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS

	Change in value used to calculate hedge effectiveness	Hedge reserves
A. CASH FLOW HEDGES		
1. Assets	1,680	(71,725)
1.1 Debt securities and interest rates	1,680	(71,726)
1.2 Equity securities and equity indices		-
1.3 Foreign currencies and gold		-
1.4 Loans		1
1.5 Other		-
2. Liabilities		(1,084)
2.1 Debt securities and interest rates		(1,084)
2.2 Foreign currencies and gold		-
2.3 Other		-
Total A 31/12/2022	**1,680**	**(72,809)**
Total A 31/12/2021	**(1,683)**	**(5,877)**
B. HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS	**X**	**X**
Total A+B 31/12/2022	**1,680**	**(72,809)**
Total A+B 31/12/2021	**(1,683)**	**(5,877)**

E. EFFECTS OF HEDGING TRANSACTIONS IN EQUITY

The table has not been completed because the Group has made use of the exception envisaged by IFRS 9, consisting in the possibility of continuing to apply the provisions governing hedging of IAS 39.

1.3.3 OTHER INFORMATION ON TRADING AND HEDGING DERIVATIVES

A. FINANCIAL AND CREDIT DERIVATIVES

A.1 OVER-THE-COUNTER FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	11,309,980	24,568,630	1,550,682	30,583
- positive fair value	1,699,773	508,088	23,199	-
- negative fair value	1,642	1,691,714	100,435	253
2) Equity securities and equity indices				
- notional value	-	4,338	570	-
- positive fair value	-	225	-	-
- negative fair value	-	30	-	-
3) Foreign currencies and gold				
- notional value	-	8,386,225	2,588,299	-
- positive fair value	-	81,285	15,402	-
- negative fair value	-	48,838	47,159	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5)Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchases of protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sales of protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

1.4 LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of liquidity risk management within the entire Iccrea Cooperative Banking Group in compliance with the principles of sound and prudent management.

In exercising this role, the Parent Company determines the governance model and mechanisms that govern the various stages involved in the management of liquidity and oversight of the associated risks, as well as interactions between business and control units in order to ensure an appropriate level of liquidity at the consolidated and individual levels at the intraday, short and medium/long-term time horizons.

As provided for by the Cohesion Contract, the Parent Company also defines liquidity risk management policies, in accordance with the strategic planning and definition of the RAF.

RISK MANAGEMENT PROCESSES

Liquidity risk is identified and monitored at the consolidated and individual levels using the operational and structural maturity ladder (in order to identify possible negative liquidity gaps in relation to specified maturity structure) and the overall liquidity indicator system (RAS, risk limits, contingencies and monitoring indicators), designed to quickly identify potential strains.

The process of revising the methodologies, the different assumptions underlying the measurements and the thresholds/limits set for liquidity indicators, carried out at least annually, enables the alignment of the overall Liquidity Risk Framework and the indicator system with specific developments in the Group and market conditions.

Identification of risks

The liquidity risk identification phase can be broken down by the length of the observation horizon:

- operational liquidity – divided into two complementary levels:
  - intraday and very short-term liquidity*:* monitored on a daily basis in order to identify sources of risk that impact the Bank’s ability to promptly balance very short-term cash inflows and outflows and maintain a volume of liquidity sufficient to ensure compliance with the liquidity coverage ratio (LCR) requirement;
  - short-term liquidity: identification of sources of risk that impact the Bank’s ability to meet its expected and unexpected payment obligations over a short-term horizon (up to 12 months);
- structural liquidity - identification of structural mismatches between assets and liabilities maturing at more than 1 year and integration with short-term liquidity management as well as planning of actions and preventing the future creation of short-term liquidity shortfalls.

The Group’s liquidity profile, and therefore its exposure to liquidity risk, is closely related to the business model adopted, the composition of the balance sheet - in terms of assets, liabilities and off-balance sheet items - as well as the related maturity profile.

The process of identifying and classifying the risk factors connected with the operational and structural liquidity profiles seeks to define the elements that, in terms of risk exposure, could trigger a deterioration in the Group’s liquidity position when endogenous and/or exogenous stress events occur.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be divided into the following macro-categories:

- endogenous: represented by adverse events specific to the Bank (e.g. a deterioration in the Bank’s credit standing and loss of confidence by creditors);
- exogenous: when the origin of the risk is attributable to adverse events that cannot be directly controlled by the Bank (political crises, financial crises, catastrophic events, etc.) that give rise to liquidity tensions in the markets;
- combinations of the previous factors.

Measurement of risks

Measuring liquidity risk involves the activities performed to observe and quantify on a comprehensive, accurate and timely basis the exposure to such risk over the selected observation horizon.

Measuring the exposure to liquidity risk is based on an assessment of expected cash inflows and outflows – and the consequent deficits or surpluses – in the various residual maturity bands that make up the maturity ladder, in order to:

- monitor the risk profile in "business as usual" conditions, overseeing the overall system of indicators that characterize the Liquidity Risk Framework;
- execute stress testing, which involves the determination of the liquidity position in severe but plausible adverse scenarios, assessing the impact at the consolidated and individual levels.

The risk position is measured with the use of models, specific indicators and additional metrics developed either internally or established in regulations.

The analysis of the maturity profiles depends substantially on assumptions about the future cash flows associated with the various assets and liabilities, both on-balance-sheet and off-balance-sheet, which take account of the economic maturities of the balance sheet elements rather than contractual dates, without neglecting the application of reasonable prudence criteria.

The risk position is measured using static and dynamic approaches, in line with the provisions of the company budget/strategic plan concerning the assets, liabilities and equity items in the financial statements, as well as off-balance-sheet transactions.

On the basis of the desired time horizon, the Group develops two maturity curves: operational and structural.

The operational maturity ladder is used to monitor the short-term liquidity position and is determined both in a business-as-usual scenario and in a stress scenario by applying prudential run-offs to contractual cash flows generated by assets and liabilities and to the margins of credit lines.

The intraday liquidity position is measured with metrics aimed at monitoring the maximum use of liquidity on an intraday basis, the reserves available at the beginning of each business day to meet liquidity requirements, gross payments sent and received and "time-specific" obligations.

The treasury position is measured on a daily basis by quantifying the liquidity reserves (i.e. counterbalancing capacity, or CBC) and using them to cover any possible negative liquidity balance over the reference time horizon.

This system for monitoring Group operational liquidity makes it possible to monitor:

- management of access to the payments system (operational liquidity management);
- management of the liquidity outflow profile;
- the size and degree of use of liquidity reserves (analysis and active management of the maturity ladder);
- the active management of collateral (cash-collateral management, i.e. refinanceable securities and bank loans);
- the integration of short-term liquidity management actions with structural liquidity requirements.

The structural maturity ladder is used to monitor the overall liquidity position at the consolidated and individual levels at medium/long-term. It is determined by applying prudential run-offs to contractual cash flows generated by assets and liabilities and to the margins of credit lines. The projection of cash inflows and outflows at the various time bands in the ladder is carried out using two distinct approaches in relation to the purpose of the analysis.

The first approach identifies cash flows based on the contractual maturities of the items considered;

The second approach is based on the adoption of behavioral assumptions, with specific regard to the modeling of demand items and margins on the credit lines granted in both a business-as-usual scenario and in a stress scenario.

This tool is essential for obtaining a view of Group funding requirements and an understanding of the liquidity risk associated with execution of the funding plan, thereby preventing the emergence of future liquidity strains. In addition, the structural maturity ladder makes it possible to control:

- the management of maturity transformation in accordance with the guidelines established by management;
- support for the funding decisions in the funding plan.

Risk prevention and attenuation

Liquidity risk is managed using a comprehensive system of limits, which is a key tool in the management, control and attenuation of risks within the Liquidity Risk Framework. The definition of this system took account of the nature, objectives and complexity of operations.

The system of limits (EWS, RAS, risk limits and contingencies) is defined by the Parent Company consistent with its policy-setting and coordination role and subsequently deployed in accordance with a structured cascading process to the subsidiaries (where applicable) consistent with the liquidity risk management model adopted.

The system of limits is also accompanied by a comprehensive system of systems and controls that contribute to defining the overall control model set out and formalized in the associated policy.

The controls established to manage liquidity risk break down as follows:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the liquidity profile and activate escalation mechanisms;
- Level III controls (Internal Audit), which are intended to verify compliance with rules and procedures as well as internal and external regulations.

Monitoring and reporting

Second-level controls, which are performed by Risk Management, are intended to monitor the exposure to liquidity risk in order to prepare reports for transmission to the competent units and to initiate the escalation mechanisms, in collaboration with the management functions, should the specified limits be exceeded. Control activities is based on the assessment and measurement of the positioning of the risk indicators established by the Risk Governance framework. The effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the established risk limits;
- the prompt activation of recovery plans in response to specified conditions on the basis of the "magnitude" of the over-limit position.

Liquidity risk control and monitoring activities are carried out within the internal self-regulatory framework. At an operational level, communication between the management functions and Risk Management takes place daily through in-depth discussions on risk developments that increase awareness of the profiles of the risks assumed (in accordance with the specified profitability objectives), thus facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The content, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

In particular, Risk Management performs codified and formalized monitoring and reporting activities within the Risk Appetite Framework and the Risk Policies, with the preparation of periodic reporting to provide appropriate disclosure to the management functions, senior management and the Board of Directors.

Stress test framework

The Group's liquidity position is monitored in the normal course of business and under stress conditions. For the latter, a stress test framework has been defined on the basis of the indicators that characterize the Liquidity Risk Framework.

The stress test analyses are used to measure the degree to which the liquidity position can deteriorate in the event of especially adverse market conditions, thereby enabling verification of its robustness.

Accordingly, the objectives of the stress testing are:

- to verify the capacity to cope with unexpected liquidity crises in the first period in which they occur, before activating initiatives to modify the structure of assets or liabilities;
- to assess vulnerabilities in the liquidity profile, evaluating possible connections between the various risk categories as part of the periodic monitoring process;
- to calibrate the specific risk thresholds for the RAS and Risk Limit indicators for operational and structural liquidity, verifying whether the level of existing limits enables the maintenance of a level of liquidity that ensures that any coverage actions do not compromise the Group's business strategies;
- to identify, in preparing the recovery plan, scenarios that would compromise the survival of the Group if appropriate recovery actions were not taken;
- to test the effectiveness of mitigation actions taken within the Contingency Funding & Recovery Plan and recovery actions provided for in the "near-default" scenarios to be taken in adverse situations in order to limit the Group's exposure to liquidity risk;
- to verify the feasibility of the funding plan, taking due account of the findings of the stress analysis.

In accordance with regulatory provisions, the Group develops scenarios characterized by stress scenarios associated with the occurrence of systemic or idiosyncratic events in order to test potential liquidity vulnerabilities.

In line with the applicable regulatory guidelines, the Group has adopted various types of mutually complementary analyses:

- sensitivity analysis: analysis of liquidity position to the marginal impact of different types of shocks, considered separately or jointly, relating to one or more risk factors;
- scenario analysis: analysis consisting in the assessment of the Bank's ability to cope with a potential deterioration in its liquidity profile based on a combination of shocks associated with one or more risk factors in accordance with specific evolutionary stress dynamics;
- reverse stress testing: analysis consisting in identifying one or more stress scenarios whose impact leads to a pre-established result identified ex-ante. The reverse stress testing makes it possible to investigate, using a recursive analysis process, the size and probability of occurrence of the events that lead to this result.

Depending on the purpose of the analysis, the time horizon of the stress exercise, the speed of propagation of shocks and the approach to be adopted for the projection of operations (static/dynamic) are defined.

The types of stress test that characterize the framework provide for the occurrence of sever but plausible events (scenarios) that can be classified into three categories:

- stress scenarios caused by a systemic event, i.e. an event (or combination of events) reflecting specific macroeconomic variables whose occurrence generates/involves adverse consequences for the entire financial system and/or the real economy and therefore for the Iccrea Cooperative Banking Group;
- stress scenarios caused by specific events (idiosyncratic), i.e. an event (or combination of events) whose occurrence generates/involves highly adverse consequences for the Iccrea Cooperative Banking Group. In defining those events, a specific analysis was conducted, considering the specific organizational, operational and risk features that distinguish the Group;
- stress scenarios generated by a combination of specific and systemic events, i.e. the occurrence of combined events within the same scenario.

The underlying methodological approach for the construction of the systemic and idiosyncratic stress scenarios envisages the identification of the individual types of liquidity risk and the funding/lending items affected by those risks, so as to estimated inflows and outflows for the purpose of highlighting liquidity gaps and verifying the stability of the risk indicators and the ability of the Group to cope with any liquidity strains.

For each scenario, the Group has incorporated shocks generated by the main risk variables, which have been identified on the basis of a logic consistent with the overall stress test framework, enabling the association of specific levels of propagation and the related impact on the indicators.

For example, systemic events considered in constructing the scenarios include:

- a financial market shock that involves a significant change in the level of interest rates;
- a systemic shock that involves a drastic reduction in access to the money market;
- a liquidity squeeze on the interbank market;
- a recession;
- the default of systemically important counterparties.

Idiosyncratic events considered in constructing scenarios include:

- outflows of liquidity caused by substantial withdrawals of deposits by counterparties;
- the occurrence of reputational events that make it difficult to renew funding sources;
- adverse movements in the prices of asset to which the bank is most exposed;
- significant loan losses.

In determining and constructing combined stress scenarios, the framework provides for a targeted combination of systemic and idiosyncratic events in order to increase the severity of the stress exercises. For prudential purposes, the framework does not envisage offsetting effects deriving from the combination of the events considered.

IMPACT OF THE COVID-19 PANDEMIC

The risk measurement and control system has not undergone significant changes as a result of the COVID-19 pandemic as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency.

QUANTITATIVE DISCLOSURES

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

EURO

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Unspecified maturity
A. On-balance-sheet assets	**9,241,808**	**1,030,956**	**542,080**	**1,794,528**	**5,564,722**	**9,019,321**	**15,734,407**	**59,981,407**	**60,181,368**	**609,723**
A.1 Government securities	3,824	-	143,804	6,367	868,886	4,692,834	8,734,186	26,915,409	20,998,210	1
A.2 Other debt securities	3,037	117	11,584	11,963	98,544	120,894	195,767	1,813,604	2,643,460	20,246
A.3 Units in collective investment undertakings	326,878	-	-	-	-	-	-	-	-	-
A.4 Loans	8,908,069	1,030,839	386,691	1,776,198	4,597,292	4,205,593	6,804,454	31,252,394	36,539,698	589,476
- banks	1,028,769	32,004	30,041	80,777	47,094	467	2,064	14,755	2,321	589,459
- customers	7,879,300	998,835	356,650	1,695,421	4,550,198	4,205,126	6,802,390	31,237,638	36,537,377	17
B. On-balance-sheet liabilities	**109,958,980**	**4,271,605**	**166,410**	**737,391**	**1,732,287**	**4,976,284**	**5,208,797**	**27,639,755**	**2,252,013**	**-**
B.1 Deposits and current accounts	108,901,896	30,103	59,163	136,743	342,209	390,075	812,683	1,333,475	5,435	-
- banks	1,786,382	236	-	-	30,269	-	-	-	-	-
- customers	107,115,514	29,867	59,163	136,743	311,940	390,075	812,683	1,333,475	5,435	-
B.2 Debt securities	39,519	37,436	71,727	213,762	433,153	438,054	1,346,371	5,341,324	1,313,921	-
B.3 Other liabilities	1,017,565	4,204,065	35,520	386,886	956,924	4,148,154	3,049,743	20,964,956	932,657	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	1,030,551	136,612	50,316	1,143,110	166,073	283,073	43,722	120,499	-
- short positions	43	1,099,482	87,798	52,571	1,119,427	199,457	205,763	33,978	173,066	-
C.2 Financial derivatives without exchange of principal										
- long positions	2,227,032	-	217	103	23,011	32,710	88,977	-	-	-
- short positions	1,101,428	-	37	475	13,924	92,326	31,571	-	-	-
C.3 Deposits and loans to receive										
- long positions	-	4,657,035	-	173,379	-	534,173	241,257	285,800	-	-
- short positions	-	1,256,653	-	311,702	1,876,459	1,678,519	339,617	428,693	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	205,619	751,311	6,737	9,437	56,808	58,007	98,520	379,869	674,372	-
- short positions	1,610,127	327,277	1,064	255	423,413	50	1,029	135	566	-
C.5 Financial guarantees issued	12,005	-	-	-	-	-	328	2,134	1,766	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

OTHER CURRENCIES

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Unspecified maturity
A. On-balance-sheet assets	**59,936**	**1,414**	**3,230**	**13,375**	**33,998**	**10,917**	**3,865**	**23,180**	**7,814**	**-**
A.1 Government securities	-	-	-	-	54	65	570	8,154	1,963	-
A.2 Other debt securities	87	-	-	1,720	220	3,531	1,190	1,942	21	-
A.3 Units in collective investment undertakings	1,247	-	-	-	-	-	-	-	-	-
A.4 Loans	58,601	1,414	3,230	11,655	33,724	7,321	2,104	13,084	5,830	-
- banks	51,682	288	274	417	-	624	837	6,752	-	-
- customers	6,920	1,126	2,955	11,238	33,724	6,697	1,268	6,332	5,830	-
B. On-balance-sheet liabilities	**189,805**	**10,592**	**1,738**	**-**	**3,380**	**1,436**	**79**	**767**	**652**	**-**
B.1 Deposits and current accounts	171,428	10,592	1,738	-	2,227	1,086	-	-	-	-
- banks	5,099	10,592	1,738	-	-	-	-	-	-	-
- customers	166,329	-	-	-	2,227	1,086	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	18,377	-	-	-	1,154	350	79	767	652	-
C. Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	43	4,947,521	840,939	74,841	2,144,014	200,969	289,223	949	177	-
- short positions	-	4,878,139	857,057	74,110	2,153,514	165,298	366,955	2,613	151	-
C.2 Financial derivatives without exchange of principal										
- long positions	2,227	-	-	-	-	-	-	-	-	-
- short positions	1,291	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive										
- long positions	-	3,091	-	-	-	-	-	-	-	-
- short positions	-	3,091	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

DISCLOSURES ON SELF-SECURITIZATIONS

The Group has implemented securitization transactions in which all the liabilities issued by the vehicle companies involved were underwritten by the Group's banks.

The following provides information on the self-securitization transactions carried out by the banks of the Group and still in place at the reference date of the financial year.

CREDICO FINANCE 9 SECURITIZATION

In 2011, a self-securitization was completed through which 18 mutual banks (of which 14 are members of the ICBG) sold an initial portfolio of performing residential mortgage loans equal to €637.2 million without recourse to the vehicle company Credico Finance 9 Srl The transaction involved the participation of Iccrea Banca as arranger.

The purchase of the portfolio by the SPV was financed through the issue of two categories of asset backed notes in the total amount of €637.2 million, broken down as follows:

- senior Class A notes amounting to €554.4 million, maturing in November 2050, listed on the Irish Stock Exchange;
- junior Class B notes amounting to €82.8 million, maturing in November 2050, unlisted and fully subscribed by the originator banks.

More specifically, the junior securities were divided into 18 series, each of an amount proportional to the amount of the loans respectively assigned by the individual participating banks. Each of the latter subscribed only the series of notes pertaining to their share, with payment of the relative price at par. To hedge the interest rate risk, the SPV has entered into a derivative contract (swap) with J.P. Morgan Securities Ltd.

Originally, the assignor banks had assumed the role of Limited Recourse Loan Providers, making government securities available to the SPV in order to provide a form of liquidity support. Following the downgrade of Italy by Standard & Poor's and Moody's, Italian government securities ceased to meet the criteria of the rating agencies. Therefore, with this contract modification between the parties involved in the transaction, the liquidity line was replaced by a cash reserve (with the simultaneous return of the government securities to the individual participating banks), which for the banks of the Group amounts to €23.7 million.

The following table reports the main characteristics of the ABSs subscribed by the banks of the Group at the reporting date.

Type of security	Rating	Nominal value (€/millions)
Class A - Senior	Moody's Aa3/DBRS AAA	29.6
Class B - Junior	no rating	68.5

On December 22, 2022 the participating banks purchased he remaining loans and on January 16, 2023 redeemed the notes in full.

CREDICO FINANCE 12 SECURITIZION

In 2013, a self-securitization was completed through which 35 mutual banks (of which 28 are members of the ICBG) sold an initial portfolio of performing residential mortgage loans equal to €1 billion without recourse to the vehicle company Credico Finance 12 Srl The transaction involved the participation of Iccrea Banca as arranger.

The purchase of the portfolio by the SPV was financed through the issue of two categories of asset backed notes, broken down as follows:

- senior Class A notes amounting to €916.4 million, maturing in December 2052, listed on the Irish Stock Exchange;
- junior Class B notes amounting to €125 million, maturing in December 2052, unlisted and fully subscribed by the originator banks.

More specifically, the junior securities were divided into 35 series, each of an amount proportional to the amount of the loans respectively assigned by the individual participating banks. Each of the latter subscribed only the series of notes pertaining to their share, with payment of the relative price at par.

The following table reports the main characteristics of the ABSs subscribed by the banks of the Group at the reporting date.

Type of security	Rating	Nominal value (€/millions)
Class A - Senior	S&P A+/DBRS AAA	91.6
Class B - Junior	no rating	113.2

CREDICO FINANCE 16 SECURITIZION

In 2016, a self-securitization was completed through which 16 mutual banks (of which 11 are members of the ICBG) sold an initial portfolio of performing residential mortgage loans equal to €660.8 million without recourse to the vehicle company Credico Finance 16 Srl The transaction involved the participation of Iccrea Banca as arranger.

The purchase of the portfolio by the SPV was financed through the issue of two categories of asset backed notes, broken down as follows:

- senior Class A notes amounting to €561.7 million, maturing in December 2056, listed on the Irish Stock Exchange;
- junior Class B notes amounting to €99.1 million, maturing in December 2056, unlisted and fully subscribed by the originator banks.

More specifically, the junior securities were divided into 16 series, each of an amount proportional to the amount of the loans respectively assigned by the individual participating banks. Each of the latter subscribed only the series of notes pertaining to their share, with payment of the relative price at par.

The following table reports the main characteristics of the ABSs subscribed by the banks of the Group at the reporting date

Type of security	Rating	Nominal value (€/millions)
Class A - Senior	Moody's Aa3/DBRS AAA	107.9
Class B - Junior	no rating	78.7

CREDIPER CONSUMER SECURITIZATION

At the end of 2018, a self-securitization denominated “Crediper Consumo” was completed, in which BCC CreditoConsumo sold a portfolio of performing loans deriving from personal loan contracts with a total value of €650 million to the securitization vehicle Crediper Consumer Srl The transaction involved the participation of Iccrea Banca as arranger.

As part of the transaction, the SPV issued two classes of notes listed on the Irish Stock Exchange:

- €520 million of Class A notes, corresponding to 80% of the value of the loans sold, which have been assigned an investment grade rating of AA by DBRS Ratings Limited and AA- by Fitch;
- €140.5 million of Class B notes.

All the securities were subscribed by the originator and the Class A notes were used as underlying assets for refinancing operations with the European Central Bank.

KOBE SECURITIZATION

In 2018, Banca Alpi Marittime and another bank not belonging to the ICBG completed a self-securitization with the assignment without recourse of performing residential mortgage loans in the total amount of about €300.6 million (of which €148.5 million assigned by Banca Alpi Marittime). The purchase of the portfolio by the SPV was financed through the issue of senior Class A notes in the amount of €260 million, mezzanine notes in the amount of €10.5 million and junior Class B notes in the amount of €39.3 million.

The following table reports the main characteristics of the ABSs subscribed by Banca Alpi Marittime at the reporting date.

Type of security	Rating	Nominal value (€/millions)
Class A - Senior	Moody's AA3/DBRS AA low	59.2
Class B - Mezzanine	Moody's Ba2/DBRS BBB high	19.4
Class J - Junior	no rating	5.2

PONTORMO RMBS SECURITIZATION

In 2017, BCC di Pisa e Fornacette and another bank not belonging to the ICBG completed a self-securitization with the assignment of an initial portfolio of mortgage loans, which was restructured in 2019 with the sale of a second portfolio. The transaction involved the assignment of performing residential mortgage loans to the securitization vehicle Pontormo RMBS Srl in the total amount of €1.4 billion (of which €393.4 million assigned by BCC di Pisa e Fornacette).

The purchase of the loans by the SPV was financed through the issue of senior Class A notes in the total amount of €986.2 million and junior Class B notes in the amount of €166.4 million.

The following table reports the main characteristics of the ABSs subscribed by BCC di Pisa e Fornacette at the reporting date.

Type of security	Rating	Nominal value (€/millions)
Class A 2017 - Senior	Fitch AA/S&P AA	61.8
Class B 2017 - Junior	no rating	54.1
Class A 2019 - Senior	Fitch AA/S&P AA	85.3
Class B 2019 - Junior	no rating	3.4

1.5 OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISKS

Operational risk means the risk of losses caused by the inadequacy or malfunction of procedures, human resources and internal systems or the occurrence of external events. For example, such losses include those caused by fraud, human error, operational interruptions, system unavailability, breach of contract and natural disasters.

In view of the operations that characterize the Iccrea Cooperative Banking Group, it is exposed to operational risks across the entire organization, including IT risks.

Within the regulatory framework, the deregulation and the globalization of financial and payment services, together with the progressive refinement of the financial technology supporting transactions, are making the activities of the entities belonging to the Group, and thus the associated operational risk engendered by ordinary operations, increasingly complex. The increased complexity of the Group with the arrival of the affiliated banks as well as the growing use of highly automated technology under way in the Group can, in the absence of modifications of the control system, transform the risk of manual errors and data processing errors into the risk of significant system malfunctions, given the increasing recourse to integrated IT infrastructure and applications.

In addition, the growing use of electronic money and electronic or on-line payments generates other potential risks (for example, internal and external fraud, system security, customer data processing and IT and cyber risks) whose comprehensive mastery and mitigation, both upstream and in terms of response and containment, represents a strategic and enabling factor in the development of the business and a prerequisite for ensuring compliance with regulatory and payment-circuit requirements.

In addition, the presence of banks and financial companies in the Group, delivering services on a mass scale (both within the Group and to firms and the public) makes it necessary to ensure an appropriate structure and constant evolution of the system of internal controls and constant attention to preventing the risk of rules violations, incurring administrative penalties, etc.

The various types of operational risk to which the Iccrea Group is structurally exposed include IT risk and reputational risk. This is associated with the banking activities carried out with the public and financial and institutional counterparties, as well as the numerous national and international regulations to which the Group is subject.

GOVERNANCE AND ORGANIZATIONAL MODEL

The organizational model of the Risk Management function, adopted since the launch of the Iccrea Cooperative Banking Group, has undergone development and progressive evolution since 2018. The organizational model has been progressively refined with a view – among other things – to optimizing the dissemination of risk management directives to the affiliated banks and overseeing the performance of the Risk Management function’s activities at the Parent Group, the Operational, Reputational & IT Risk Management unit has been established and charged with centralized responsibility for policy-making and coordinating the operational and IT risks for the Iccrea Cooperative Banking Group as a whole. This unit operates as a specialist hub for operational and IT risks, supporting the risk management functions of the companies within the direct scope and the affiliated banks.

With regard to current Group governance arrangements for the internal control system, the Risk Committee of the Board of Directors of the Parent Company provides support to that Board with regard to risks and the internal control system, including aspects concerning the frameworks for the management of operational risk and IT risk.

In particular, the Board Risk Committee:

- supports activities to verify the correct implementation of Group strategies, compliance with policies for the governance and management of operational risk and IT risk, requesting any appropriate technical analyses and acquiring the necessary documentation for the evaluation of management and mitigation actions for the risks involved;
- conducts a preliminary review of the annual activity programs and reports of the Operational & IT Risk Management unit submitted to the Board of Directors;
- expresses its assessment, prior to approval by the Board of Directors, of Group policies on operational and IT risks.

OPERATIONAL RISK MANAGEMENT POLICIES

Consistent with the risk management process, the Operational & IT Risk Management framework is structured into the following phases:

- identification of risks (knowledge): a set of activities directed at identifying operational and IT risks by assessing the factors that drive their dynamics, taking account of the dual perspective of events that have already occurred (i.e. operational loss and incident data) and potential risk (assessed through the collection of business expert opinion).
- evaluation/measurement of identified risks (awareness): a set of activities for assessing/measuring Group operational and IT risks.
- risk prevention and attenuation (strategy): a set of activities for the ex-ante identification of the possible ways of preventing and mitigating unfavorable developments in the dynamics of operational and IT risks. Definition of actions to prevent the occurrence of unfavorable events and mitigate the effects of the manifestation of events connected with operational and IT risks, and the implementation of measures to ensure that possible risk scenarios underlying operations evolved within the tolerated risk appetite levels defined for specific operating or business segments.
- monitoring and reporting (tracking and control): a set of activities to monitor the Group's risk profile and deliver comprehensive reporting to provide timely, accurate and appropriate support to the decision-making process underlying "Risk Prevention and Mitigation" and "Risk Management and Mitigation".
- risk management and mitigation (reaction and proactivity): a set of activities and actions to support the management of operational and IT risks, implement actions to prevent the occurrence of adverse events and to attenuate the effects of events related to risks, and to constantly monitor the results of the activities performed. This phase concerns the management of operational and IT risks subsequent to the preventive measures taken in the strategic assumption of risk, responding to developments (operating losses or changes in the risk profile) that impact the level of risk determined ex ante.

The operational risk assessment framework outlined above also includes legal risk and is integrated with that for assessing IT risk (IT Risk Management Framework), in line with the relevant regulations.

The monitoring and control of operational risks is characterized by activities that involve both business functions and control functions in their respective areas of responsibility. The Risk Management function prepares the necessary reporting in this area, bringing it to the attention of the various internal users (Board bodies, senior management, operating units).

IDENTIFICATION, MEASUREMENT AND ASSESSMENT OF RISKS

For the purpose of calculating capital requirements for operational risk, the Iccrea Cooperative Banking Group mainly uses the Basic Indicator Approach (BIA),[25] which provides for the application of a fixed percentage (15%) to the average of the last three observations of the "relevant indicator" determined in accordance with the provisions of the CRR.

Following the creation of the Iccrea Cooperative Banking Group, and the consequent affiliation of the mutual banks, the components of the operational and IT risk management framework already adopted by the companies of the former Iccrea Banking Group were revised and gradual adoption by the affiliated banks is under way.

The methodological aspects underlying the management framework and the related procedures for application to the Group companies were formalized and approved at the end of 2019, and updated in the following years, as part of specific Group Policies (Operational Risk Management Framework, IT Risk Management Framework, Loss Data Collection, Operational Risk Self-Assessment – OR-SA - and IT Risk Self-Assessment – IR-SA), which are currently being adopted by all Group companies. In 2022, further activities leading up to the development of the application system to support operational and IT risk management activities continued.

The loss data collection process has currently been adopted by all the Group companies that contribute, with a specified frequency, to the collection of historical events and losses through the Group application solution, which is available to both the companies within the direct scope of the Group and the affiliated banks.

As regards the assessment processes for operational risks (OR-SA) and IT risk (IR-SA), the identification and assessment of prospective risks have been initiated and conducted for certain companies within the direct scope and are continuing in 2022 with regard to application of the process to the affiliated banks. IT risk management activities included the completion, in March 2022, of the annual information risk profile assessment, which involved Iccrea Banca and BCC Sistemi Informatici.

In 2022, the development of the related application system continued in support of risk assessment processes. With specific regard to IT risk, the application component supporting IR-SA activities has been rolled out and is used to assess the IT risk profile of Iccrea Banca, BCC Sistemi Informatici and affiliated banks

In addition, throughout the first half of 2022, consistent with efforts the previous year and in step with the evolution of the management framework and the release of applications, the informational and training effort for the Operational Risk Management framework continued,

[25] One affiliated bank adopts the Traditional Standardized Approach (TSA).

with specific attention being paid to operating approaches and support applications. The Risk Management function also supported the collection of operational loss events at the Group level for QIS and COREP regulatory reporting purposes, and made a contribution in its areas of expertise to the stress testing provided for in the ICAAP.

RISK PREVENTION AND ATTENUATION

The units involved in operations perform first-level controls to assess and report any irregularities associated with operational issues.

Second-level control units oversee the appropriateness and effectiveness of the organizational and management arrangements taken to address operational and IT risk within the Group's internal control systems. These include the Operational Risks, Compliance and Anti-Money-Laundering units of the Parent Company, the individual subsidiaries and the affiliated banks. These units are active in planning the system and, above all, in verifying its ongoing operation, assessing its adequacy and effectiveness in managing internal and external risks.

Third-level controls are performed by Internal Audit, which assesses the control system's overall appropriateness and efficiency, as well as its regular operation.

The locus of the strategic and operational management of credit risk is the Group's Risk Appetite Statement, through a system of monitoring thresholds and limits (tolerance and capacity), with compliance ensured by the monitoring and control activities of the competent units.

The Group RAS sets out, at the level of the individual legal entities, the main indicators of operational risk, namely:

- maximum operational loss (a monitoring indicator measured at the consolidated level and for the affiliated banks);
- minimum acceptable level in respect of the findings of controls of individual relationships with regard to operational and IT risks (an indicator specified for the entire scope of application of the RAF);
- number and financial impact of significant incidents (measured at the consolidated level)
- number and financial impact of high and significant incidents (measures at the BCC Sistemi Informatici level).

Monitoring and reporting

The monitoring and control of operational risks is characterized by activities that involve both business functions and control functions in their respective areas of responsibility. In particular, these activities are governed by the unified management framework described earlier and defined within the applicable policies.

In this area, the Risk Management function prepares the necessary periodic reporting, bringing it to the attention of the various internal structures involved (Board of Directors, senior management, operating units).

Risk management and mitigation

Operational and IT risk management and mitigation activities are governed by a set of codified and formalized rules that include:

- the activities and actions that must be performed in each operating and business segment in order to manage developments in the risks assumed;
- the adoption of a set of measures for managing the problems found as part of the risk assessment framework;
- the actions to be taken in the event of breaches of monitoring thresholds or risk tolerances and the risk limits set out in the Risk Appetite Statement;
- the actions to be taken in the event of breaches of the limits defined in risk policies.

QUANTITATIVE DISCLOSURES

As provided for in Circular 285/2013 of the Bank of Italy as updated, for reporting purposes the Group calculates operational risks using the Basic Indicator Approach.

Under the Basic Indicator Approach, the capital requirement is calculated by applying a regulatory coefficient to an indicator of the volume of business, which in the case of Iccrea is the relevant indicator.

In particular, the Group capital requirement, equal to 15% of the average of the last three observations of the relevant indicator at the end of the previous year, amounted to €702 million.

RELEVANT INDICATOR	PERIOD	VALUE
- at December 31, 2022	T	5,446,508
- at December 31, 2021	T-1	4,458,790
- at December 31, 2020	T-2	4,145,171
Relevant indicator average		**4,683,490**
Regulatory coefficient		**15%**
Capital requirement		**702,523**

SECTION 3 - RISKS OF INSURANCE UNDERTAKINGS

No information to report.

SECTION 4 - RISKS OF OTHER ENTITIES

The scale of the risks to which “Other entities” are exposed is not material. Accordingly, this section has not been prepared.

PART F - INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 - CONSOLIDATED CAPITAL

A. QUALITATIVE DISCLOSURES

The Group's strategic priorities include monitoring the amount and dynamics of its capital. Capital constitutes the first bulwark against the risks associated with operations and the main reference parameter for assessments of the Group's solvency by supervisory authorities and investors. It contributes positively to the formation of operating income, funds the Group's technical and financial fixed assets and supports dimensional growth, representing a decisive element in the development phases.

Managing capital adequacy at the consolidated and individual levels involves defining the scale and optimal combination of different capital instruments, in compliance with regulatory constraints and consistent with the risk profile assumed by the Group.

The notion of capital adopted by the Group in its assessments is the "own funds" aggregate as established with Regulation (EU) No. 575/2013 (CRR), broken down into the three components of Common Equity Tier 1 (CET 1), Tier 1 and Tier 2. The capital thus defined, the main resource for supporting corporate risks according to prudential supervisory regulations, is the best foundation for the effective management of risk, both from a strategic and operational standpoint, as it a financial resource capable of absorbing the possible losses produced by the Group's exposure to all the risks it has assumed.

Current and forward-looking capital adequacy is therefore monitored in two spheres:

- regulatory capital to cover Pillar I risks;
- total internal capital to cover Pillar II risks, for ICAAP purposes.

In the evolutionary sizing of the Group's own funds, the specific policies for allocating the net profit of the affiliated banks play an important role, seeking to support the constant strengthening of reserves. In compliance with the specific sector regulations, these banks allocate a large majority of their net profits to indivisible reserves. Capital adequacy compliance is pursued not only through careful policies for the distribution of the available component of profits but also through the prudent management of investments, in particular loans, in line with risk represented by counterparties and the related capital requirements, and with plans for strengthening capitalization based on the expansion of the shareholder base and the issue by the Parent Company of subordinated liabilities or additional equity instruments eligible for inclusion in the relevant own funds aggregates.

More specifically, in order to constant maintain its capital adequacy, the Group has deployed processes and tools to determine the level of internal capital adequate to face any type of risk assumed, as part of an assessment of the current, prospective and "stressed" exposure that takes account of corporate strategies, growth objectives and developments in the reference context.

A careful assessment of the compatibility of projections is carried out annually as part of the process of setting budget targets. Depending on the expected developments in balance sheet and income statement aggregates, any necessary initiatives are taken at this stage to ensure financial balance and the availability of financial resources consistent with the strategic and development objectives of the individual entity and the Group as a whole.

Compliance with supervisory requirements and the consequent adequacy of capital is verified on a quarterly basis. The aspects subject to verification are mainly the ratios connected with the Group's financial structure (loans, impaired exposures, non-current assets, total assets) and the degree of risk coverage.

Additional specific analyzes for the purpose of the preventive assessment of capital adequacy are carried out when necessary prior to extraordinary operations such as mergers and acquisitions, or the sale of assets.

The minimum capital requirements are those established by applicable supervisory regulations (Article 92 of the CRR), according to which the Common Equity Tier 1 ratio must be at least 4.5% of total risk weighted assets ("CET1 capital ratio"), Tier 1 capital must represent at least 6% of total risk weighted assets ("Tier 1 capital ratio") and total own funds must be at least 8% of total weighted assets ("Total capital ratio").

In addition, the competent supervisory authorities periodically issue a specific decision regarding the capital requirements that the Group must comply with following the prudential review and evaluation process ("SREP") conducted pursuant to Article 97 et seq. of Directive 2013/36/EU (CRD IV).

In particular, Article 97 of the CRD IV establishes that the competent authorities shall periodically review the arrangements, strategies, processes and mechanisms that groups and supervised banks implement to face the risks to which they are exposed. With the SREP, the competent authorities therefore review and evaluate the process of determining capital adequacy conducted internally by the Group, analyze its risk profile individually and from an aggregate perspective, including under stress conditions, and assess its contribution to systemic risk; assess the corporate governance system, the operation of corporate bodies, the organizational structure and the internal control system; and verifies compliance with all prudential rules.

With regard to the outcome of the Supervisory Review and Evaluation Process (SREP), on January 24, 2022, the supervisory authorities notified Iccrea Banca of results of the SREP decision, which establishes the prudential requirements to be respected at the consolidated level with effect from March 1, 2022 (broken down into own funds requirements and qualitative requirements). With this decision, the supervisory

authorities established consolidated own funds requirements for 2022:

- an additional Pillar 2 requirement (P2R) of 2.83% (of which 8 bps for the NPE P2R in reflection of calendar provisioning, which could be lowered by the end of the year subject to certain conditions), of which a minimum of 56.25% to be held in the form of Common Equity Tier 1, CET1) and 75% in the form of Tier 1 capital;
- a recommendation for Pillar 2 Guidance (P2G) of 1.75%, which should consist entirely of Common Equity Tier 1 capital and held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2022 the Iccrea Cooperative Banking Group is therefore required to meet:

- a Total SREP Capital Requirement (TSCR) of 10.83%;
- an OCR equal to 13.33%.
- a Target Requirement (including P2G) of 15.08%.

On December 14, 2022, the supervisory authorities notified Iccrea Banca of results of the SREP decision, which establishes the prudential requirements to be respected at the consolidated level with effect from January 1, 2023 (broken down into own funds requirements and qualitative requirements). With this decision, the supervisory authorities established consolidated own funds requirements for 2023:

- an additional Pillar 2 requirement (P2R) of 2.80% (of which 5 bps for the NPE P2R which could be lowered by the end of the year subject to certain conditions) of which a minimum of 56.25% to be held in the form of Common Equity Tier 1, CET1) and 75% in the form of Tier 1 capital;
- a recommendation for Pillar 2 Guidance (P2G) of 1.75%, which should consist entirely of Common Equity Tier 1 capital and held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2023 the Iccrea Cooperative Banking Group is therefore required to meet:

- a Total SREP Capital Requirement (TSCR) of 10.80%;
- an OCR equal to 13.30%;
- a Target Requirement (including P2G) of 15.05%.

With regard to the Group’s affiliated banks, the SREP decision did not impose own funds requirements to be met on an individual basis. Therefore, in order to comply with the aforementioned consolidated requirements, mechanisms have been provided for their allocation at individual level within the main risk governance processes (i.e. RAF, EWS), compatibly with the capital resources of each affiliated bank, thus ensuring that the Group’s strategies and capital constraints are also reflected at the individual level.

B. QUANTITATIVE DISCLOSURES

B.1 CONSOLIDATED EQUITY: BREAKDOWN BY TYPE OF ENTITY

The table reports the components of shareholders' equity at carrying amount, adding the Group's equity to that pertaining to non-controlling interests, broken down by the type of consolidated entity. More specifically:

- the column, "Prudential consolidation" reports the amount resulting from consolidation of the companies belonging to the banking group, gross of the financial effects of any transactions that may have been performed with other companies included within the scope of consolidation; fully-consolidated subsidiaries, other than those in the "Banking Group", are measured using the equity method here;
- the column "Other entities" reports the amounts resulting from consolidation, including financial effects deriving from transactions carried out with companies that are part of the banking group;
- the column "Consolidation eliminations and adjustments" shows the adjustments necessary to obtain the figures reported in the financial statements.

	Prudential consolidation	Insurance undertakings	Other entities	Consolidation eliminations and adjustments	Total
1. Share capital	2,294,842	-	-	-	2,294,842
2. Share premium reserve	150,838	-	-	-	150,838
3. Reserves	9,184,274	-	-	-	9,184,274
4. Equity instruments	30,139	-	-	-	30,139
5. (Treasury shares)	(1,380,525)	-	-	-	(1,380,525)
6. Valuation reserves:	(205,160)	-	-	-	(205,160)
- Equity securities designated as at fair value through other comprehensive income	8,025	-	-	-	8,025
- Hedges of equity securities designated as at fair value through other comprehensive income	-	-	-	-	-
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(279,594)	-	-	-	(279,594)
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedging of investments in foreign operations	-	-	-	-	-
- Cash flow hedges	(72,809)	-	-	-	(72,809)
- Hedging instruments [undesignated elements]	-	-	-	-	-
- Foreign exchange differences	-	-	-	-	-
- Non-current assets held for sale	-	-	-	-	-
- Financial liabilities designated as at fair value through profit or loss (change in own credit rating)	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	(35,310)	-	-	-	(35,310)
- Share of valuation reserves of equity investments accounted for using equity method	(81,191)	-	-	-	(81,191)
- Special revaluation laws	255,721	-	-	-	255,721
7. Net profit (loss) for the period (+/-)	1,796,109	-	-	-	1,796,109
Shareholders' equity	**11,870,517**	**-**	**-**	**-**	**11,870,517**

B.2 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

	Prudential consolidation		Insurance undertakings		Other entities		Consolidation eliminations and adjustments		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	12,516	292,110	-	-	-	-	-	-	12,516	292,110
2. Equity securities	22,720	14,696	-	-	-	-	-	-	22,720	14,696
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2022	**35,236**	**306,805**	**-**	**-**	**-**	**-**	**-**	**-**	**35,236**	**306,805**
Total 31/12/2021	**63,329**	**34,293**	**-**	**-**	**-**	**-**	**-**	**-**	**63,329**	**34,293**

B.3 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: CHANGE FOR THE PERIOD

	Debt securities	Equity securities	Loans
1. Opening balance	**22,260**	**6,776**	**-**
2. Increases	**18,995**	**10,939**	**-**
2.1 Fair value gains	9,697	10,080	-
2.2 Writedowns for credit risk	3,259	X	-
2.3 Reversal to income statement of negative reserves: from realization	5,297	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	55	-
2.5 Other changes	742	804	-
3. Decreases	**320,849**	**9,691**	**-**
3.1 Fair value losses	302,991	6,133	-
3.2 Writebacks for credit risk	1,949	-	-
3.3 Reversal to income statement of positive reserves: from realization	15,368	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	2,721	-
3.5 Other changes	541	837	-
4. Closing balance	**(279,594)**	**8,025**	**-**

B.4 VALUATION RESERVES FOR DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

Valuation reserves for defined-benefit plans were a negative €35.3 million at the end of 2022. The following table reports changes in the period as a result of changes in financial assumptions and the time value effect.

	31/12/2022	31/12/2021
1. Opening balance	**(62,981)**	**(57,088)**
2. Increases	**42,374**	**1,592**
2.1 Actuarial gains from changes in financial assumptions	32,211	271
2.2 Actuarial gains from changes in demographic assumptions	803	87
2.3 Other increases	9,360	1,234
3. Decreases	**14,703**	**7,486**
3.1 Actuarial losses from changes in financial assumptions	1,715	3,534
3.2 Actuarial losses from changes in demographic assumptions	2,588	1,396
3.3 Other decreases	10,400	2,556
4. Closing balance	**(35,310)**	**(62,981)**

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

See the disclosures on own funds and capital adequacy in the Third Pillar disclosures.

PART G - BUSINESS COMBINATIONS

SECTION 1 – TRANSACTIONS CARRIED OUT DURING THE YEAR

During the period no business combinations involving the acquisition of control pursuant to IFRS 3 were carried out.

For corporate reorganization purposes, the following mergers of mutual banks were carried out that had no impact on the consolidated financial statements. In compliance with the accounting practices for such transactions, these operations were accounted for on an unchanged values basis and regarded:

- the merger of Cerea Banca 1897 Credito Cooperativo S.C. into BCC Verona e Vicenza - Credito Cooperativo S.C. with effect from January 1, 2022;
- the merger of BCC di Massafra S.C. into Banca di Taranto – Banca di Credito Cooperativo S.C. with effect from January 1, 2022;
- the merger of BCC di Spinazzola S.C. into BCC di Oppido Lucano S.C. leading to the creation of BCC Appulo Lucana S.C. with effect from April 1, 2022;
- the merger of BCC di Gangi into BCC di S. Giuseppe Madonie, renamed BCC delle Madonie S.C. with effect from April 1, 2022;
- the merger between BCC del Vibonese S.C. BCC di Cittanova S.C. BCC del Crotonese S.C. and BCC Catanzarese S.C. leading to the creation of BCC della Calabria Ulteriore, with effect from April 1, 2022;
- the merger of BCC Bergamo e Valli S.C. into BCC di Milano S.C. with effect from June 1, 2022;
- the merger of BCC San Michele di Caltanissetta e Pietraperzia into BCC G. Toniolo di San Cataldo, leading to the creation of BCC G. Toniolo e San Michele di San Cataldo (Caltanissetta), with effect from October 1, 2022.

Finally, with accounting effect from October 1, 2022, the total non-proportional demerger of Vival Banca was completed, involving the merger of two separate asset groups into Banca Alta Toscana and Banca Centro.

SECTION 2 – TRANSACTIONS AFTER THE CLOSE OF THE PERIOD

No business combinations were carried out between the close of the financial year and the date of approval of the draft financial statements.

For completeness of information, in November 2022, the ECB authorized the merger between BCC di Taranto e Massafra into BCC di Bari, with accounting effect from April 1, 2023. Like the other merger operations between mutual banks of the Group, the transaction will have no impact on the consolidated financial statements since it was carried out on an unchanged values basis for corporate reorganization purposes.

SECTION 3 – RETROSPECTIVE ADJUSTMENTS

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

PART H - TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table provides information on the remuneration paid in 2022 to key management personnel as required by IAS 24. Key management personnel are managers who have the power and responsibility, directly or indirectly, for the planning, management and control of the Group's activities, including the directors and members of the supervisory bodies.

	Total 31/12/2022				
	Short term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
Key management personnel	8,616	497	37	-	-

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

For the purposes of the preparation of these disclosures, pursuant to IAS 24 a related party is a person or entity who is related to the entity preparing the financial statements.

In application of that standard, the related parties of the Group include:

- unconsolidated subsidiaries;
- associated companies and their subsidiaries;
- key management personnel of the Group;
- members of the immediate family of key management personnel and companies controlled, alone or jointly, by key management personnel or members of their immediate family;
- post-employment benefit plans for Group employees.

The Iccrea Cooperative Banking Group has adopted a document governing the principles and rules applicable to related party transactions in compliance with supervisory regulations contained in Circular no. 263/2006 of the Bank of Italy.

Transactions between the Iccrea Cooperative Banking Group and corporate officers regard normal Group operations and were carried out, where applicable, applying the terms reserved for all employees. Transactions with subsidiaries not consolidated on a line-by-line basis and transactions with associated companies regarded ordinary operations within a multi-functional banking organization.

In compliance with supervisory regulations, all transactions carried out by Group companies with their related parties were carried out in compliance with the principles of substantive and procedural fairness, on terms analogous to those applied to transactions with independent non-Group counterparties. No unusual or atypical transactions were carried out by Group companies with related parties, nor were any such transactions carried out with other counterparties.

The following table summarizes transactions and their financial effects carried out in 2022 with the related parties of the Group other than fully consolidated intercompany transactions.

	Total 31/12/2022			
	Unconsolidated subsidiaries	Associated companies	Key management personnel	Other related parties
Financial assets	112,192	339,848	1,342	4,254
Total other assets	1,760	13,584	-	-
Financial liabilities	16,509	204,155	1,256	10,104
Total other liabilities	35	3,871	-	578
Commitments and financial guarantees issued	1,257	85,261	71	330
Commitments and financial guarantees received	-	-	840	5,386
Provisions for doubtful accounts	-	6,304	-	-

	Total 31/12/2022			
	Unconsolidated subsidiaries	Associated companies	Key management personnel	Other related parties
Interest income	89	1,023	25	117
Interest expense	(1,092)	(274)	(6)	(41)
Dividends	-	-	-	-
Fee and commission income	223	247,831	7	29
Fee and commission expense	(148)	(128,878)		-
Net gain (loss) on trading activities	(1)	-	-	-
Net gain (loss) on hedging activities	-	-	-	-
Other operating expenses/income	(454)	6,150	(17)	(1,608)
Writedowns/writebacks of impaired financial assets	1	(3,880)	(1)	-

PART I - SHARE-BASED PAYMENTS

The Iccrea Cooperative Banking Group has no payment agreements based on its own equity instruments in place.

PART L - OPERATING SEGMENTS

A. PRIMARY REPORTING BASIS

The companies within the Group mainly operate exclusively in the following segments:

- Institutional: business conducted with institutional counterparties (mutual banks, other banks and public institutions), such as payment services, financial intermediation (trading and capital markets), and foreign activities, as well as additional support services for affiliated banks. The segment includes the operations of the Parent Company, BCC Sistemi Informatici, BCC Gestione Crediti, BCC Solutions, BCC Beni Immobili, BCC Servizi Assicurativi, Sinergia, Sigest e Coopersystem;
- Corporate: business focused mainly on financing small and medium-sized companies that are customers of the mutual banks. The segment includes the operations of Iccrea BancaImpresa, BCC Lease, BCC Factoring e Banca Mediocredito del F.V.G.;
- Retail: mainly asset management activities on an individual and collective basis for retail customers (BCC Risparmio&Previdenza), consumer credit (BCC CreditoConsumo) and the traditional banking activities of Banca Sviluppo;
- Mutual banks: includes all of the mutual banks that have joined the Group and the associated Guarantee Scheme.

The following reports a summary income statement and key financial aggregates by business segment. The column reporting inter-segment transactions includes intercompany eliminations between the companies included in different segments.

The breakdown by segment has not change compared with that reported in the annual report at December 31, 2021.

A.1 DISTRIBUTION BY BUSINESS SEGMENT: INCOME STATEMENT

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTER-SEGMENT TRANSACTIONS	TOTALE
Net interest income	130,678	231,667	55,641	3,294,432	(18,732)	3,693,686
Net fee and commission income	9,717	84,025	58,960	1,231,049	(45,400)	1,338,349
Other financial expense and income	(1,784)	22,594	(2,675)	17,980	35,630	71,744
Gross income	**138,610**	**338,285**	**111,926**	**4,543,461**	**(28,503)**	**5,103,779**
Net value adjustments	17,967	22,591	(3,585)	(515,682)	(71)	(478,780)
Net gains (losses) on financial operations	**156,578**	**360,876**	**108,340**	**4,027,778**	**(28,574)**	**4,624,998**
Operating expenses	(79,993)	(327,533)	(49,578)	(2,576,255)	11,561	(3,021,798)
Other costs and revenues	(184)	424,618	-	(8,177)	(8,411)	407,846
Profit/(loss) from continuing operations before tax	**76,401**	**457,961**	**58,762**	**1,443,346**	**(25,424)**	**2,011,046**
Income tax for the period on continuing operations	(23,640)	10,990	(19,123)	(187,639)	4,475	(214,937)
Profit/(loss) for the period	**52,761**	**468,950**	**39,640**	**1,255,708**	**(20,949)**	**1,796,109**
Profit/(loss) for the period pertaining to non-controlling interests	**-**	**9,084**	**(27)**	**-**	**-**	**9,057**
Profit/(loss) for the period pertaining to shareholders of the Parent Company	**52,761**	**459,867**	**39,666**	**1,255,708**	**(20,949)**	**1,787,052**

A.2 DISTRIBUTION BY BUSINESS SEGMENT: BALANCE SHEET

	CORPORATE	INSTITUTIONAL	RETAIL	MUTUAL BANKS	INTER-SEGMENT TRANSACTIONS	TOTALE
Financial assets	450,582	13,774,375	61,267	60,387,664	(4,766,786)	69,907,102
Due from banks	75,993	34,043,222	34,532	9,409,950	(42,006,696)	1,557,002
Loans to customers	4,982,729	6,914,788	1,242,010	80,029,968	(2,300,943)	90,868,551
Funding from banks	4,651,618	41,606,518	1,298,389	29,386,642	(48,424,921)	28,518,246
Funding from customers	408,504	8,354,597	117,439	110,439,409	(204,202)	119,115,747
Securities and other financial liabilities	96,731	5,673,494	2,395	7,349,692	(3,340,010)	9,782,301

B. SECONDARY REPORTING BASIS

As regards the secondary reporting basis, please note that the Group operates almost exclusively in Italy.

PART M - LEASE DISCLOSURES

SECTION 1 – LESSEE

QUALITATIVE DISCLOSURES

At the reporting date, the Group had 2,936 lease/rental contracts falling within the scope of IFRS 16 as they refer to operating leases involving property, plant and equipment in the following classes of assets:

- capital equipment (printers and other office equipment, personal computers, servers, smartphones/tablets, cars and company vehicles, advanced ATMs, etc.);
- real estate, in particular the premises in which the branches operate and spaces for ATMs.

These assets are mainly intended for use in the normal operations of the company and for this reason they are mainly classified under assets held for use in operations. For more details on the recognition and measurement criteria involved, please see Part A “Accounting Policies” of these notes to the financial statements.

The rental contracts entered into by the Group normally provide for fixed payments for a specified period of time and, with the exception of property leases, do not envisage an extension option. Based on the foregoing, the effective term of the individual leases is taken into account for the purpose of accounting for the rights of use, while in cases in which an extension option is envisaged and its exercise is considered highly probable, the Group considers the contractual term inclusive of the extension period, unless factors or specific situations envisaged within the contract suggest a different assessment. This is because the properties in question are functional to the performance of the activities of the Group companies and non-exercise of the extension option is only considered in cases where impediments have arisen independently on the intentions of the companies themselves, i.e. the decision not to extend the lease was prompted by initially unforeseeable circumstances (e.g. changes of location, increase in lease payments, etc.).

If provided for by the lease agreement, the Group also does not consider early termination options unless factors or specific circumstances make it highly probable that the option will be exercised before the expiry of the lease (such as, for example, the impediments or the specific needs mentioned above).

QUANTITATIVE DISCLOSURES

For further quantitative information concerning the assets acquired by the Group through leases, please see the disclosures provided in the tables in the sections of the notes to the financial statements indicated below:

- part B, assets, section 9, as regards rights of use in respect of leased assets held at the reporting date;
- part B, liabilities, section 1, as regards lease liabilities outstanding at the reporting date;
- part C, section 1, as regards interest expense on leasing liabilities accrued during the year;
- part C, section 14, as regards depreciation of rights of use recognized during the year.

Note that in determining the depreciation rates to be applied to the rights of use in respect of assets acquired under leases, reference has been made to the contractual term of the underlying leases, also taking account any extension/termination options where the probability that they will be exercised is considered high, depending on the nature of the transaction (finance/operating lease) and the type of asset.

The details of the depreciation charges recognized in through profit or loss for the year are shown below, broken down by category of leased assets.

Depreciation	31/12/2022	31/12/2021
a) buildings	47,830	48,460
b) electronic systems	7,000	3,607
c) cars	3,929	4,051
d) other	49	75
Total	**58,808**	**56,193**

SECTION 2 – LESSOR

QUALITATIVE DISCLOSURES

Lease transactions undertaken by Group mutual banks as a lessor are negligible.

The contracts mainly regard concern the lease of commercial and residential properties.

The Group mainly enters into finance leases with customers and is active in the real estate, residential, equipment, vehicle and marine lease sectors.

Lease payments for the year are recognized in profit or loss under operating income.

For more details on the recognition and measurement criteria involved, please see Part A "Accounting Policies" of these notes to the financial statements.

QUANTITATIVE DISCLOSURES

1. INFORMATION IN THE BALANCE SHEET AND INCOME STATEMENT

For additional quantitative information on lease transactions carried out by the Group, please see the tables in the following sections:

- part B, Assets, section 4, as regards lease financing granted by the Group in relation to finance leases;
- part C, section 1, as regards interest income on the above lease financing accrued during the year;
- part C, section 16, as regards other income connected with the lease operations undertaken the Group as a lessor.

2. FINANCE LEASES

2.1 CLASSIFICATION BY MATURITY OF PAYMENTS TO BE RECEIVED AND RECONCILIATION WITH LEASE FINANCING RECOGNIZED UNDER ASSETS

	Total 31/12/2022	Total 31/12/2021
	Payment to be received for leases	Payment to be received for leases
Up to 1 year	845,301	901,773
From more than 1 year up to 2 years	693,882	721,466
From more than 2 years up to 3 years	562,605	570,796
From more than 3 years up to 4 years	438,404	437,389
From more than 4 years up to 5 years	311,844	324,831
From more than 5 years	1,370,736	1,600,778
Total payments to be received for leases	**4,222,774**	**4,557,034**
Reconciliation with financing	**1,060,274**	**1,243,213**
Financial income not accrued (-)	434,034	581,704
Unguaranteed residual value (-)	626,240	661,509
Lease financing	**3,162,499**	**3,313,820**

The balance of lease financing does not include past due principal and interest, exposures to terminated leases or writedowns on outstanding financing at the reporting date.

2.2 OTHER INFORMATION

No other information to report.

3. OPERATING LEASES

3.1 CLASSIFICATION BY MATURITY OF PAYMENTS TO BE RECEIVED

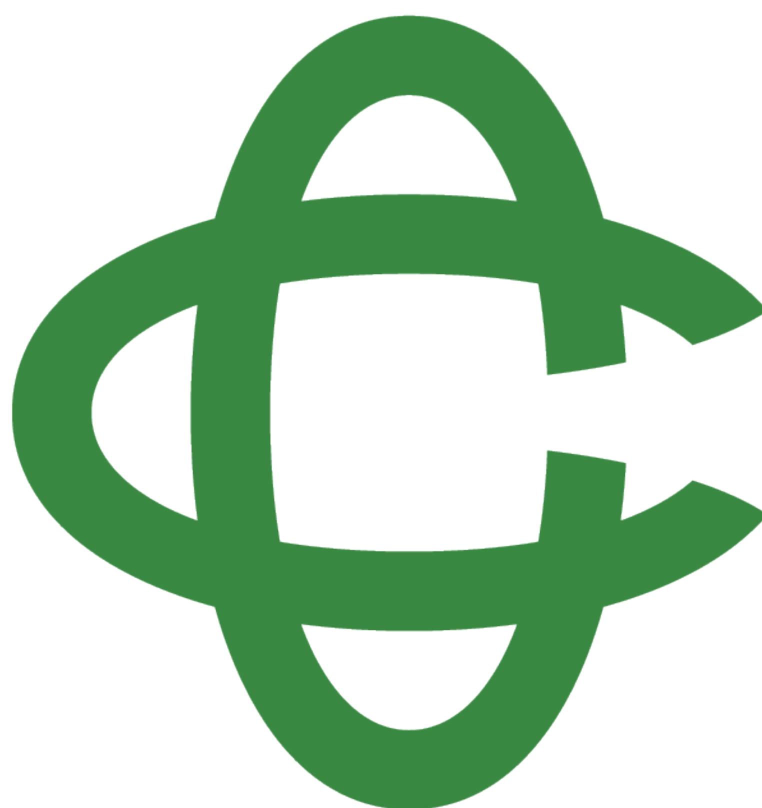
	Total 31/12/2022	Total 31/12/2021
	Lease payments to receive	Lease payments to receive
Up to 1 year	2,317	3,235
From more than 1 year up to 2 years	1,901	2,954
From more than 2 years up to 3 years	1,610	2,195
From more than 3 years up to 4 years	1,155	1,468
From more than 4 years up to 5 years	1,054	1,127
From more than 5 years	1,224	1,170
Total	**9,261**	**12,148**

3.2 OTHER INFORMATION

No other information to report.

REPORT OF THE BOARD OF AUDITORS

REPORT OF THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE CIVIL CODE



BCC BANCA ICCREA

REPORT OF THE BOARD OF AUDITORS

TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PRAGRAPH 2, OF THE CIVIL CODE

Dear Shareholders,

In the year ended December 31, 2022, the Board of Auditors of Iccrea Banca SpA performed its oversight duties in accordance with the Italian Civil Code, Legislative Decree 385/1993 (the Consolidated Banking Act) and Legislative Decree 39/2010 as amended, the provisions of the articles of association, the regulations issued by the authorities performing supervisory and control duties, and the rules of conduct for the Boards of Auditors of unlisted companies issued by the National Council of the Italian accounting profession, as applicable.

Appointment and activity of the Board of Auditors

The current Board of Auditors was appointed by the Iccrea Banca SpA Shareholders' Meeting on June 16, 2022 for a term ending on the date of the meeting called to approve the financial statements for the year ended December 31, 2024. The Bank's Board of Auditors is also charged with performing the role of Supervisory Body pursuant to the provisions of Legislative Decree 231 of June 8, 2001, on the basis of the instructions contained in Bank of Italy Circular no. 285 of December 17, 2013, as amended.

During 2022, the Board of Auditors (or at least one of its members) participated in all meetings of the Board of Directors, the Executive Committee and the Board Committees. During the year, the Board of Auditors met independently 58 times to perform the additional oversight duties pertaining to it and 10 times in its capacity as the 231/01 Supervisory Body.

The activities of the Bank and the Iccrea Cooperative Banking Group in 2022

The Report on Operations prepared by the directors provides extensive information on developments in the operations of the Parent Company and the Iccrea Cooperative Banking Group, on key operational events during 2022, on the structural and operational characteristics of the ICBG, on the internal control system, on the prudential regulatory framework and on the main processes performed in this area and on events subsequent to the reporting date.

At the end of March 2022 the Board of Directors approved the 2023-2025 Strategic Plan, which specifies the performance and financial objectives that the ICBG intends to attain over the planning period in order to improve its positioning with respect to market benchmarks, setting more ambitious objectives for the main ratios, especially with regard to the NPL portfolio, and operating profitability. The 2023-2025 Strategic Plan incorporates the various sector plans (commercial, IT, NPE strategy, Group HR, ICT, capital, funding, sustainability/ESG.) developed during the planning process and was built on the basis of methodological uniformity and integration with the other tools and processes that are also a constituent part of prudential supervision arrangements, such as the Recovery Plan, the Resolution Plan and MREL requirements, the RAS/RAF and the ICAAP/ILAAP.

As part of the progressive implementation of the "transformation" program involving the direct subsidiaries of Iccrea Banca SpA, which is intended to rationalize their structures, strengthen their commercial and income potential and, for some, restore a satisfactory state of financial balance, the Report on Operations discusses a number of key events in 2022, including:

- the continuation of the reorganization of the "Corporate" segment of the Group, with the acquisition of a 100% stake in Banca MedioCredito FVG (now called BCC Financing SpA) and the start of further optimization of the sector in which it operates;
- the reorganization of the "Bancassurance" sector with a capital increase of €265 million at BCC Servizi Assicurativi, the acquisition of a number of local agencies and, in consideration of the expiry of the existing partnership with Società Cattolica of Assicurazioni SpA on December 31, 2022, the start of the process of selecting the next insurance partner;
- the reorganization of the e-money segment with the closing of the partnership agreement with FSI SGR SpA on January 29, 2022, and the acquisition through the vehicle Pay Holding SpA (which is wholly owned by FSI and Iccrea with 60% and 40% stakes respectively), of the entire share capital of BCC Pay (generating– at both individual and consolidated level – a gross capital gain of approximately €430 million), with the simultaneous signing of a long-term distribution agreement for BCC Pay products and services through Iccrea Banca and, through it, on the affiliated banks and, finally, with the formation (on November 29, 2022) of BCC POS SpA, which on February 1, 2023 acquired the POS terminal purchase, rental, sale, maintenance and assistance operations of Coopersystem;
- the reorganization of the "Operations" sector of the Group, with the creation of a single hub within the Group which provides a growing range of administrative services to the affiliated banks and product companies, including through the acquisition of the back-office operations of those companies, or through concentration and external strengthening operations and with the performance during 2022 of the preparatory activities for the merger between the two instrumental companies BCC Solutions and Sinergia, both wholly owned by the Parent Company. The merger – which took legal, accounting and tax effect from January 1, 2023 and which saw the formation of BCC Sinergia SpA - is part of the broader efficiency enhancement strategy of the Group, seeking to exploit the synergies and economies of scale deriving from the complementarity of the activities of the two companies, which are both already

active in the "Operations" segment, serving the other companies controlled, directly or indirectly, by the Parent Company (the direct scope of consolidation) and the affiliated banks.

Internal control and risk management system

A specific section of the Report on Operations describes the structure and main components of the ICBG internal control system, which is based on the structure envisaged in supervisory regulations calling for three levels of control:

- first-level controls, performed by the corporate units responsible for the business/operating activities;
- second-level controls, performed by the Compliance (including the DPO), AML (Anti-Money Laundering) and Risk Management units;
- third-level controls, performed by Internal Audit.

The Report on Operations provides a description of the organizational arrangements adopted by the second- and third-level control functions, consistent with the specific characteristics of the ICBG and aimed at ensuring effective coverage of control activities both at the Parent Company and its direct subsidiaries and at the affiliated mutual banks. The organizational model of the control functions, which have been outsourced by the ICBG companies to the Parent Company, gives the Parent Company responsibility for the definition of strategies, processes and control methodologies, tools, and planning and reporting standards.

The Board of Auditors regularly exchanged information with the control functions during the year, including through direct participation in the meetings of the Board Committees, receiving information flows generated by those units for the corporate bodies (and the Supervisory Body), governed by specific rules.

The Parent Company, Iccrea Banca

With regard to the Parent Company, Iccrea Banca, the results of the monitoring and assessment activities of the control functions found, in brief:

- for Compliance, an average “medium-low” exposure to residual compliance risk, as assessed on the basis of the potential risks and the existing control arrangements in relation to the individual regulations governing this area. This evaluation represents an average of the risk levels in the various regulatory areas. The assessment of compliance of regulatory arrangements and processes under the 2022 audit plan, while generally positive, nevertheless found a number of specific regulatory areas requiring improvement;
- for AML, the self-assessment exercise – conducted on the basis of the method recommended in supervisory regulations and applied by the function – found a “low” residual risk (net of the control arrangements). The activities conducted by the Anti-Money Laundering function over the course of the year produced a final overall assessment of “partially satisfactory”, taking due account of the outcome of the remediation actions implemented during the year;
- for Risk Management, the continuous and structured management and reporting of the risks included within the function’s scope of responsibility, with periodic quantitative and qualitative reporting at a variety of frequencies, did not reveal any significant issues concerning the main risk exposures (credit, liquidity, market, interest rate). The function also defined and maintained the methodological framework for the Group risk governance processes (RAF/RAS, ICAAP/ILAAP, EWS), as well as managing the associated processes and the production of the final outputs in agreement and collaboration with the corporate units responsible for the areas of risk examined;
- for Internal Audit, the 2022 Audit Plan envisaged numerous audits, responding in part to requests from the supervisory authorities, in the different areas of “governance”, “market” and “support” in which the taxonomy of Group processes is structured. The audit findings were largely favorable, although certain critical areas and/or areas for improvement in the management of business lines remain.

The Board of Auditors analyzed the findings of the assessments conducted for Iccrea Banca SpA by the control functions, which had produced unsatisfactory judgments in the past concerning certain organizational aspects of control arrangements or compliance issues regarding procedural systems, such as regulatory compliance, and verified the resolution of the irregularities or monitored the implementation of the related intervention plans, urging the directors and management to perform the actions requested.

The Cooperative Banking Group

With regard to the larger population of the mutual banks, the findings of the oversight activity of the control functions in the various areas for which they are responsible were generally positive, with limited instances of non-compliance with external, regulatory or Group regulations. In these situations, it is the prerogative of the control functions to assess the need to activate the specific indicators of the early warning classification system (EWS) for the affiliated banks, leading to a change in their status, with a consequent reduction in the degree of management independence of the individual bank and the issue of binding instructions.

With regard to the Compliance function, the methods adopted and the results acquired from the individual affiliated banks and the companies within the direct scope, the annual report indicated that the Group's average exposure to compliance risk was "medium-low". The control measures adopted are, as a whole, adequate and effective in proportion to the different risk exposures of the regulatory areas applicable to the Group, while highlighting the need to make certain adjustments to the regulatory and IT system to ensure continued compliance despite the changes in the applicable regulations and developments within the Group. As noted, the findings of the system and operation audits performed during the year were largely positive.

In compliance with the Group’s annual plan for 2022, the Data Protection Officer (DPO) function performed a new cycle of system and operational audits using a risk-based approach at the companies within the direct scope and the affiliated banks that have outsourced the service to the Parent Company and at the Parent Company itself, finding the situation to be positive while identifying certain areas for improvements, which were accompanied by a remedial action plan. Following the activities and audits performed, the ICBG DPO found that the organizational arrangements required by the regulations had been correctly implemented at the ICBG level.

At present, the consolidated annual report of the DPO is being formalized. Following the reporting activity submitted, in March-April 2023, to all the Boards of Directors of the companies within the direct scope and the affiliated mutual banks, it will be discussed with the members of the Risk Committee and the Board of Directors of the Parent Company in May this year.

With regard to the assessment of AML arrangements and the activity of the second-level function responsible for this area, in 2022 work continued on strengthening both the general and specific controls that can be activated in response to the different situations of the individual entities. Work also continued on the planned evolution of IT applications to support AML processes and the training of members of the AML function and bank operators, favored by the evolution of the distribution model, which generated specializations from which AML benefited.

On the basis of the audits performed during the year at each legal entity to ensure compliance with the applicable regulatory framework governing anti-money laundering operations, the final summary assessment (equal to the average of the summary assessments provided by each affiliated mutual bank and the companies within the direct scope) as at December 31, 2022 was “partially satisfactory”, with only one affiliated bank receiving an unfavorable evaluation. Nevertheless, the Report of the AML function highlighted a number of critical areas in specific areas for a limited number of affiliated mutual banks.

The Board of Auditors brought to the attention of the Board of Directors that fact that the growing complexity of AML obligations, due in part to the need to management them across the entire Group, requires paying constant attention to the organization of processes and their IT support, with the investment of appropriate resources and the adoption of targeted measures for difficult situations - temporary or structural – at the individual banks.

With regard to the self-assessment exercise performed at the Group level, on the basis of the methodology set out in the applicable regulatory standards and following the self-assessment of money laundering and terrorist financing risks conducted by each entity, it was determined that the Group’s residual risk at the consolidated level was “low”, unchanged on the previous year.

The activity of the Risk Management function was especially intense. During 2022, the evolutionary activities concerning the Group’s main Risk Governance frameworks were completed, both with regard to the methodological component and the supporting application platforms, while the process of integrating climate and environmental risks into the Risk Management framework continued. Furthermore, important ordinary activities were carried out for the Group planning process and activities connected with issuing the opinions for transactions of greater importance (TGI).

The function was also engaged in the maintenance of the methodological framework for the Group's risk governance processes (RAF/RAS, ICAAP and ILAAP, EWS) and in managing those processes and producing final outputs, in agreement and collaboration with the company functions responsible for the risk areas examined. Furthermore, the Risk management controls for the direct scope companies was further consolidated with the fine-tuning of the organizational structure of the function designed to maximize synergies and the operational integration of the competencies of the central risk management units dedicated to the different types of risk (financial, credit, operational & IT).

The activity performed in 2022 by the Internal Audit function with the affiliated banks saw the execution of over 1,170 audits, with total coverage of the 2022 Audit Plan and the performance of a further 70 extraordinary audits. As usual, the audits concerned governance, business and support processes (the latter area also including the ICT component) of the banks and their distribution network. With regard to the composition of the process audits, the Plan dedicated a significant portion to meeting "mandatory" needs, which were accompanied by "consolidated" audits (with an identical "scope of work" for different ICBG entities) and mainly "risk-based" assessments. Unfavorable outcomes of the audit activity were few.

At present, the consolidated annual report of the Internal Audit Function is being formalized. it will be discussed with the members of the Risk Committee and the Board of Directors of the Parent Company in May this year.

In accordance with applicable supervisory regulation, the Internal Audit function produced the Unified Group Report on essential or important functions outsourced outside the Group for 2022. First, the Report acknowledges the consolidation of the internal control arrangements put in place to monitor the risks associated with managing outsourcing at the Group level. On the basis of the audits carried out during 2022, the Report does not identify any significant problems regarding the control and compliance of relations with suppliers of essential or important functions, but only areas for improvement.

Oversight of the adequacy of the organizational structure

As part of the oversight of the organizational and functional adequacy of governance and business areas, the Board of Auditors - during the meetings of the Risk Committee and the Board of Directors – was able to ascertain the progressive updating and supplementation of the Risk Governance Policies, the Rules, the General Process Rules relating both to the internal processes of the Parent Company and the main operating processes of the affiliated banks and the companies within the direct scope of consolidation, in line with the ICBG objective to essentially complete the Group's rules, with particular regard to the identification, measurement, management and control of risks. Other sources included operational communications and circulars addressing more specialized issues, which are transmitted on an ongoing basis to the affiliated banks and the ICBG companies.

As regards the performance of specific studies and assessments of the appropriateness of organizational structures, the Board of Auditors - in compliance with supervisory instructions – continued in 2022 to monitor the corporate control functions with regard to the consolidation of organizational and methodological arrangements, with a focus on the staffing of the units, on the development of methods, operating rules and control instruments, audit support systems and on the training of personnel and managers. Human resources planning for 2023 provides for the coverage of resource shortfalls where they emerged in the above organizational analyses.

As regards to the second and third-level control functions in general, the Board of Auditors emphasized that the structural complexity of the ICBG and its governance mechanisms, and the ever greater legislative and regulatory pressure make it necessary both to periodically reassess staffing requirements to ensure the complete and timely fulfillment of the institutional duties of the functions and to achieve the targets specified following analysis of requirements.

The Board of Auditors examined the action plans for 2023 submitted by the control functions for the ICBG and approved by the Board of Directors of the Parent Company. These plans – implemented using criteria that consider external regulatory constraints, risk-based logic and the need to cover business processes – will require a significant effort over and above ordinary levels of commitment, which will be audited in 2023.

With regard to the adequacy of the organizational structure of the Parent Company, Iccrea Banca SpA, the Board of Auditors - with the support of the Chief Operating Officer's unit - periodically conducts an analysis of the reorganization measures in progress in order to produce a general assessment of the adequacy of the solutions adopted or proposed, especially in relation to the demanding guidance and coordination duties of the Parent Company. In this respect, the provision of guidance and support to the numerous affiliated banks requires a constant effort on the part of the units of the Parent Company (whether operational or control functions), calling for periodic assessments and monitoring of adequacy and effectiveness. In 2022, targeted interventions to rationalize and strengthen the governance of the Parent Company were implemented and additional actions were planned for 2023, an especially important step in view of the role played in the direction and coordination of the affiliated banks and the companies within the consolidated scope.

Significant additional progress was also achieved within the "transformation" program that the Board of Directors – acting on a proposal of senior management - has been pursuing for some time at the companies of the direct scope, aimed at reconfiguring their mission in some cases and, in general, at achieving greater profitability or rebalancing their financial position.

Corporate governance

The governance mechanisms of Iccrea Banca and the ICBG, as delineated by the Group's body of rules, contain significant special features and complexities deriving from the legal-formal structure of the ICBG, from the choices concerning the design of governance arrangements laid out in special legislation and supervisory regulations, from the special functions carried out by the Parent Company in performance of its mission of providing management and coordination guidance for the affiliated banks and from the sheer number of banks involved. The Board of Auditors participated closely in the activity of the corporate bodies of the Parent Company, consisting of the body with strategic supervision and management functions (the Board of Directors), the Executive Committee, and the five Board Committees (the Appointments Committee, the Remuneration Committee, the Risk Committee, the Affiliated Bank Control and Intervention Committee and the newly formed ESG Committee) providing advice, preliminary assessments and recommendations to the Board of Directors.

In 2022 a number of efficiency enhancement measures for governance processes were implemented (the need for which was raised by the Board of Auditors with the Board of Directors) in order to render the governance "machine" more effective and improve the operating conditions of the strategic oversight and management body in view of the ever growing complexity of the issues it is called upon to analyze and decide upon.

The Board of Auditors periodically reports to the Board of Directors on the main activities carried out and the consequent recommendations. Thanks to its participation in the meetings of the corporate bodies, the Board received the information flows provided for by the corporate rules.

The Board of Auditors conducted its own self-assessment of the adequacy of its membership and the proper and effective functioning of the body (drawing on the assistance of an external advisor), in accordance with the supervisory instructions on corporate governance for banks and with the recommendations in the document "Self-assessment of the Board of Auditors" issued by the National Council of the Italian accounting profession. The Board of Auditors found that its membership was generally appropriate in terms of competence, experience and gender diversity. However, organizational and operational aspects that could benefit from remedial actions were identified.

During the year, the members of the Board of Auditors participated in the Board of Directors training program, expressing its intention to supplement this activity, including on an individual basis, with targeted training in the key issues for the performance of its oversight duties.

The Parent Company's Management and Coordination Activities

Given that the Parent Company performs management and coordination activities for the affiliated banks on the basis of a Cohesion Contract that ensures the existence of a situation of control, as defined by the international accounting standards adopted by the European Union, pursuant to Article 37-bis of Legislative Decree 385/1993, the Board of Auditors continued to monitor issues associated with the management and coordination activities of the Parent Company. In particular, the Board oversaw the various initiatives launched or implemented by the Board of Directors in this area.

In view of the fact that Group policies establish the principles, general rules and operating and functioning model governing a given matter, establishing the main roles and responsibilities of the corporate functions involved both within the Parent Company and the other Group companies, the Board of Auditors found that the boards of directors of the Group companies involved have executed the resolutions necessary to implement the Group policies approved in 2022 by the Board of Directors of the Parent Company. These Group policies enable the unified and coordinated definition and application of the operating and functioning model in the interest of the Group.

Relations with the supervisory authorities and prudential supervision

Supervisory review and evaluation process (SREP)

On December 14, 2022 the supervisory authorities notified Iccrea Banca of results of the SREP decision, which establishes the prudential requirements to be respected at the consolidated level (broken down into own funds requirements and qualitative requirements). With this decision, the supervisory authorities established consolidated own funds requirements for 2023:

- an additional Pillar 2 requirement (P2R) of 2.80% (of which 5 bps for the NPE P2R buffer for the coverage deficit for NPEs, which could be lowered by the end of the year subject to certain conditions), of which a minimum of 56.25% to be held in the form of Common Equity Tier 1 (CET1) and 75% in the form of Tier 1 capital;
- a recommendation for Pillar 2 Guidance (P2G) of 1.75%, which should consist entirely of Common Equity Tier 1 capital and held in addition to the Overall Capital Requirement (OCR).

Given the above, for 2023 the Iccrea Cooperative Banking Group is therefore required to meet:

- a Total SREP Capital Requirement (TSCR) of 10.80%;
- an OCR equal to 13.30%.
- a Target Requirement (including P2G) of 15.05%.

Through participation in the meetings of the Board Committees and of the Board of Directors, as well as information exchanges with the control functions and the Supervisory Authority Relations unit, the Board of Auditors monitored the response to the numerous horizontal issues highlighted in the SREP letter, constantly monitoring the resolution of those issues.

The state of progress of this process, as with all requests formulated by the supervisory authorities, was subject to periodic reporting.

ICAAP and ILAAP

As regards ICAAP and ILAAP, the Board of Auditors oversaw compliance with regulatory requirements, participating in the work of the Risk Committee, noting the structure and content of the related documents, of the information provided on the state of progress of the processes, of the results, of the improvement measures implemented in compliance with the instructions of banking supervisors.

In the examination of the ICAAP conducted jointly with the Risk Committee, the Board of Auditors found that the processes for identifying and measuring risks were substantially adequate, reinforced by the work carried out both by the central and local units of the Risk Management function. In the most recent ICAAP and ILAAP exercise, carried out in March this year, the recommendations contained in the SREP letter for the development of improvements regarding methodological-operational risk identification and risk measurement arrangements were incorporated, in addition to the more general indications addressed by the ECB to all significant banks.

The most recent ICAAP exercise also took account – among other factors – of the "new" step-in risk and the improved breakdown of climate and environment risk into transition risk, "Business" physical risk and "Real estate collateral" physical risk.

That most recent exercise, conducted on a consolidated basis, took as its starting point the qualitative and quantitative composition of the ICBG balance sheet at December 31, 2022 and the 2023-2025 Strategic Plan. The results of the ICAAP and ILAAP analyses show, over the entire time horizon considered and on the basis of the various analytical perspectives (economic and regulatory/legislative), that the Group has a fully adequate financial situation.

Recovery Plan

The preparation and finalization of the Recovery Plan, which took place in December 2022, was as usual the outcome of discussions on the matter with the ECB Joint Supervisory Team, which requested the resolution of areas for improvement concerning the plan indicators and their calibration, recovery options and their interrelation and the performance of regular simulations (dry-runs). These were accompanied by the recommendations/expectations of the supervisory authorities valid for all banks and groups subject to the Single Supervisory Mechanism.

The exercise highlighted the fact that the Group has recovery options that can bring the Group's overall technical profile (both in terms of capital and liquidity) to sustainable levels within the time limits associated with the opening of crisis. This exercise significantly improved even further the recovery capacity compared with previous conditions, with a comprehensive analysis and evaluation of the feasibility of the options, seeking to optimize the time needed to implement them while incorporating elements of prudence in the valuation.

MREL

On March 21, 2023, Iccrea Banca, as the Parent Company, received the decision of the Single Resolution Board (SRB) on the determination of the minimum requirement of own funds and eligible liabilities (MREL - Minimum Requirement of Eligible Liabilities) at the consolidated level of Iccrea Banca and at the individual level for the Relevant Legal Entities ("RLEs") identified during the 2022 resolution cycle (Iccrea BancaImpresa, BCC di Roma, BCC di Alba, Credito Cooperativo Ravennate, BCC di Milano, Banca della Marca, Banca delle Terre Venete and BCC Carate Brianza).

As regards the external MREL requirement at the consolidated level for Iccrea Banca, the approach adopted by the SRB remains the "general-hybrid" approach, which for the calibration of the MREL considers the Group's risk-weighted assets (RWAs) and, for compliance with that requirement, the Group own funds and eligible liabilities for the external MREL of Iccrea Banca only.

The decision provides for a minimum mandatory target for the external MREL, to be met by January 1, 2026, of 25.55% of consolidated RWAs (including the combined buffer requirement of 2.5% of consolidated RWAs) and 6.35% of the consolidated leverage ratio exposure (LRE).

As indicated in the Report on Operations, at December 31, 2022, Iccrea Banca Iccrea Banca complied with the consolidated intermediate target for:

- the MREL, with a surplus of about €1,780 million in terms of RWA and €3,570 million in terms of LRE;
- the subordination requirement, with a surplus of about €2,850 million in terms of RWA and €1,718 million in terms of LRE.

Investigations and inspections

As discussed in the Report on Operations, the supervisory authorities conducted an on-site inspection at Iccrea Banca SpA from September 30 to November 24, 2021, involving an assessment of the appropriate calculation of capital ratios (capital adequacy), with a particular focus on risk-weighted assets (RWAs) for credit risk at the consolidated level, governance and internal policies for the calculation of capital requirements, the reconciliation process and data quality assurance, the appropriate credit risk weighting for specific portfolios, as well as the credit risk mitigation framework. The outcome of the inspection, which was disclosed in the first quarter of 2022, did not find any particular issues overall, although a number of weaknesses in oversight systems were identified, for which the Parent Company promptly initiated remediation actions.

On December 22, 2021, a notice was received from the European Central Bank (ECB) announcing the start of an on-site inspection to be conducted at the Group level, focusing on credit and counterparty risk associated with asset quality in the Commercial Real Estate sector. More specifically, the inspection was conducted in order to assess compliance in the implementation of IFRS 9, performing a Credit Quality Review of selected portfolios and assessing credit risk processes, including any ancillary aspects of this issue. The on-site inspection began on March 31, 2022 and ended on the following August 5. To date, the findings of the inspection have not been notified to the Bank.

The Report on Operations notes that although the results of the inspection by the supervisory authorities are still being formulated, if we take account of the fact that during the OSI the recommendations concerning the loans involved in the Credit File Review have generally already been implemented in terms of both adjusting classifications and making greater adjustments where appropriate, the findings are not expected to have a significant impact on the values reported in the financial statements at December 31, 2022.

The following inspections were launched in the last quarter of 2022:

- on October 4, 2022 the European Central Bank announced the start of a "deep-dive" on the issue of forbearance, with a specific analysis of the adequacy of the policies, procedures and their implementation with forborne exposures, both in terms of risk management tools and accurate reporting and classification; the on-site inspection took place on November 30, 2022 and we are awaiting receipt of the final assessments from the supervisory authorities.
- on October 20, 2022, Consob launched an inspection concerning procedural aspects relating to the provision of investment services, with particular regard to the "product governance" policy as well as the methods for performing regulatory compliance checks. As at the date of preparation of this report, the inspection is still under way;
- on November 4, 2022, a communication was received from the ECB announcing the inclusion of the BCC Iccrea Group within the scope of the banks that, in the first half of 2023, will take part in the EU-wide EBA & BCE SSM Stress Test. Already in November

and December 2022, the necessary analysis activities were begun, the organization of the work defined and an operational plan prepared in order to effectively target the milestones of the exercise, which started in January 2023 and is expected to end in July 2023;

- on November 17, 2022, the Bank of Italy launched an inspection of the Group to assess compliance with the legislation governing the transparency of transactions and fairness in customer relations pursuant to Articles 54, 68 and 128 of Legislative Decree 385/1993; the on-site inspection was completed on March 7, 2023 and the inspection report is pending;
- on December 5, 2022, the European Central Bank launched an on-site inspection regarding IT risk in order to assess the management of IT operations, IT projects and IT security, including any complementary aspect relating to these issues; the on-site inspection was completed on February 22, 2023 and the draft inspection report is pending.

Finally, on March 14, 2023, an on-site inspection was conducted at the Group level to assess internal governance and risk management issues in order to examine those areas and any complementary aspect relating to these issues. At the date of preparation of this report, the inspection was still under way.

As part of its planning of supervisory activities, in particular its activities within the Supervisory Examination Program – SEP, for 2023, the European Central Bank has also announced its intention to launch a further inspection of credit and counterparty risk during the third quarter of 2023.

In the Report on Operations, the Directors also provide disclosures on the precautionary measures issued by the judicial authorities with regard to BCC di Crotone. Following the approval of the draft financial statements by the Board of Directors of Iccrea Banca, on 21 April 2023, BCC di Calabria Ulteriore was notified of the decree with which the Court of Catanzaro, in granting the petition of the bank's defense counsel and acknowledging the achievement of the objectives of strengthening AML controls and the resolution of the other critical issues noted withing the procedure, ordered the revocation of the preventive measure (pursuant to Legislative Decree 159/11) adopted against BCC di Calabria Ulteriore, without applying any other measure envisaged pursuant to the same legislative decree.

Oversight of statutory audit activities, the independence of the statutory audit firm and the financial reporting process

The individual and consolidated financial statements of Iccrea Banca S.p.A. at December 31, 2022 undergo statutory audit by the audit firm Mazars S.p.A. pursuant to Legislative Decree 39 of January 27, 2010 and in execution of the shareholders' resolution of May 28, 2021.

In its capacity as "Internal Control and Audit Committee", the Board of Auditors, pursuant to Legislative Decree no. 39/2010 and Regulation (EU) no. 537/2014, performed its oversight functions in this area, which primarily involved:

a) monitoring the activity of the audit firm, implementing the usual exchange of information on the relevant issues and on the various aspects of its work;
b) verification of the independence of the audit firm Mazars S.p.A. in conjunction with the assessment of acceptability of proposals for non-audit engagements of Mazars S.p.A.

As regards the activity referred to in point a), in 2022 and early 2023 the Board of Auditors met periodically with the audit firm to exchange information, acquiring other information concerning the approach and methods chosen with regard to:

- the audit of the data at June 30, 2022 of both the Parent Company, Iccrea Banca, and the consolidation of the ICBG at the same date, focusing on the audit strategy followed, the IT tools used, the key audit issues that emerged with regard to the affiliated banks with relevance at the consolidated level and the key audit matters of the separate financial statements of the Parent Company;
- the audit plan for the separate 2022 financial statements of Iccrea Bank and the consolidated financial statements of the ICBG, analyzing together with the independent auditors the contents of the operational planning for the performance of the audit, the main components (timing, required resources and specialists), major accounting application issues, operating systems and processes (also with reference to the affiliated banks), materiality and significance thresholds. The Board of Auditors acquired information on the methodological system adopted by the audit firm, receiving updates on the progress of the audit engagement and on the main issues being examined by the audit firm.

The Board of Auditors provided summary reports on the main issues to the Board of Directors of Iccrea Banca, briefing the directors on the main themes addressed and any problems detected. We have no particular comments in this regard.

With regard to the activities referred to in point b), during 2022 the Board of Auditors oversaw proposals for non-audit engagements to be performed by the statutory auditor, requested of two audit firms of the ICBG and entities of the network submitted by company units for specific advisory and methodological support needs, originating in part with legislative and regulatory requirements. The requests - to be submitted in accordance with Regulation (EU) 537/2014 for pre-approval by the "Internal Control and Audit Committee" of the individual public-interest entity (in Italian law Legislative Decree 39/2010 designates the board of auditors for this role) – underwent examination and analysis by the Board of Auditors, which, appropriate, issued its authorization.

The notes to the consolidated financial statements report the fees for 2022 paid to the firms engaged to perform the statutory audit of the accounts of the Iccrea Cooperative Banking Group.

During the period under review, the Board, again in light of the duties established by Legislative Decree 39/2010 in its capacity as the Internal Control and Audit Committee, maintained constant contacts with the Chief Financial Officer area of the Parent Company in order to acquire information on the financial reporting process of Iccrea Banca S.p.A., on its main constituent elements (processes, systems, resources) and on its functionality and effectiveness.

From the information acquired, including that gained in discussions with the audit firm, no shortcomings in the administrative and accounting procedures of particular significance were reported with regard to the objective of providing an accurate representation of operational events in compliance with international accounting standards.

Transactions with related parties

The Board took note of the periodic examination by the Committee for Transactions with Related Parties - coinciding with the Affiliated Bank Interventions Committee – of transactions with related parties carried out by the Iccrea Cooperative Banking Group and related amounts at the end of the period. This examination did not reveal any transactions that did not comply with the external regulations or the Group's internal rules.

With regard to the ICBG, in compliance with the related parties rules established under supervisory regulations, the Parent Company defined its policy for such transactions, disseminating it with a specific directive to all Group companies. In November 2022, the Board of Directors of Iccrea Banca approved an update of that policy seeking to improve the formalization of the extension of oversight to persons connected with the MRTs and develop a strengthened decision-making process for transactions with a significant impact on the risk profile of the Banking Group. On November 21, 2022, the Board of Auditors - pursuant to the provisions of Circular 285/2013 – issued a favorable opinion on the overall suitability of the procedures to govern transactions with related parties.

Compliance and Internal Audit carry out periodic audits of the compliance of the regulatory and process arrangements in this area and the application of the policy at all the companies of the Banking Group. These audits did not find any issues that would require mention in this Report.

The draft financial statements report the information relating to transactions with related parties (Part H - Transactions with related parties), in compliance with the provisions of IAS 24 – Related Party Disclosures.

ICBG remuneration and incentive policies

The Board of Directors of Iccrea Banca S.p.A. approved the "2023 ICBG Remuneration and Incentive Policies", to be submitted to the Shareholders' Meeting, together with the "Standard document of remuneration and incentive policies for the affiliated banks" and the "Material risk takers identification process for the Parent Company, companies in the direct scope and associated outcomes".

Following a complex revision of the policies in previous years that addressed all fundamental aspects of the issue, which was implemented with the cooperation of the relevant units and the Compliance and Risk Management functions, each in its area of responsibility, the current update of the policies presented to the Shareholders' Meeting includes additional refinements of the various mechanisms for identifying and measuring the objectives of the incentive system and its beneficiaries.

With regard to the 2022 Internal Audit Report on Remuneration and Incentive Policies and Practices of Iccrea Banca, the analyses found that remuneration and incentive practices were generally compliant with the policies approved by the Board of Directors and the Shareholders' Meeting, as well as the applicable supervisory regulations.

Supervisory Body pursuant to Legislative Decree 231/2001

With specific regard to the functions of the Supervisory Body pursuant to Legislative Decree 231/2001, during the period under review the Board of Auditors monitored the functioning and observance of the Compliance Model and the associated procedures by:

- receiving and analyzing the information flows envisaged by the Model;
- acquiring any relevant information from the verification activities of the control functions on the possible presence of cases falling within the criminal risk areas of Legislative Decree 231/01, as well as requesting further information from the function managers on the "sensitive activities" envisaged in the Model (e.g. workplace safety);
- carrying out supervisory activities, including during meetings with the competent corporate units, with a specific focus on certain key aspects (workplace safety, personal data processing, etc.);
- monitoring, through the acquisition of information and data, of certain aspects deemed relevant, including compliance with the UNI INAIL Guidelines of the Health and Safety Management System pursuant to Legislative Decree 81/2008, the Policies/Directives issued by Iccrea Banca relevant under the provisions of Legislative Decree 231/2001 and information on the hiring of new personnel;
- monitoring the improvement initiatives undertaken by the Company, which are intended to completely address the critical issues highlighted in the gap analysis for updating the Model;
- monitoring the information/training initiatives for disseminating knowledge and understanding of the Decree and the Model and its procedures.

During the period covered by this Report, our oversight activities found no violations or reprehensible events connected with the conduct of top management and all other Company personnel in accordance with the provisions set out in the Compliance Model or the Code of Ethics.

As regards the adequacy and suitability of the Compliance Model, the Supervisory Body did not uncover any factors that could affect the functioning and implementation of that model.

The Board of Auditors acknowledges the project currently being updated for the Company's Compliance Model 231/2001. Accordingly, it recommended that the activities be completed as scheduled, taking account, above all, of the amendments made to Legislative Decree 231/2001 and the consequent need to perform an adequate risk assessment and to raise awareness of this development among personnel, including with appropriate training sessions.

COVID-19 emergency

In July 2022, the directors acknowledged the information received from the Parent Company's top management regarding the change in the status of the response to the COVID-19 pandemic from a "state of emergency" to "normal operations", in light of:

- the termination of the national state of emergency on March 31;
- the results of the periodic monitoring activities conducted at Group level, which for some time now have underscored the absence of significant impacts, whether operational or otherwise;
- the termination of monitoring by the ECB starting from June 2021;
- the predominantly ordinary activity now performed by the Business Continuity Task Force.

Up to that date, the Board, also in its capacity as the Supervisory Body pursuant to Legislative Decree 231/01, periodically monitored compliance with applicable regulations, noting the absence of any issues to be reported here.

Non-Financial Statement

The Board of Auditors, acknowledging Legislative Decree 254/2016, oversaw - in the exercise of its functions - compliance with the provisions of that decree regarding the drafting of the ICBG Non-Financial Statement (NFS), approved by the Board of Directors on April 7, 2023.

The Board held a number of meetings with the function responsible for drafting the NFS and the representatives of the audit firm (Mazars) and examined the documentation made available.

The Board has also taken note of the report issued by the audit firm on April 20, 2023, which reports that there is no evidence to suggest that the ICBG's Consolidated Non-Financial Statement for the year ended December 31, 2022 has not been prepared in all significant aspects in compliance with the applicable legislation and the GRI Standards (“Global Reporting Initiative Sustainability Reporting Standards” issued by the GRI - Global Reporting Initiative).

On the basis of the information acquired, the Board of Auditors certifies that, during its examination of the Integrated Annual Report, no evidence of non-compliance and/or violation of the applicable regulatory provisions came to its attention.

Opinions issued

During 2022, the Board of Auditors issued a favorable opinion:

- pursuant to Bank of Italy Circular 285/2013, on the changes made to the Group policy on the management of conflicts of interest and transactions with connected persons;
- pursuant to Article 2389, paragraph 3, of the Civil Code, on the proposal for the remuneration of directors vested with special responsibilities in accordance with the Articles of Association;
- pursuant to the supervisory measures issued by the Bank of Italy of October 23, 2009, concerning "Powers of management and coordination within a banking group in relation to asset management companies", on the approval by the Board of Directors of the Report on "Powers of management and coordination within a banking group in relation to asset management companies".

Further information on the oversight activity of the Board of Auditors

In the light of the oversight activity performed in the period covered by this Report, we report that:

- the Board of Auditors is not aware of transactions carried out during the period under review in this report that did not comply with the principles of correct administration, that were authorized and executed in violation of law or the articles of association or were not performed in the interest of Iccrea Banca S.p.A., in conflict with the resolutions of the Shareholders' Meeting, or were manifestly imprudent or risky, lacking the necessary information in the event of the existence of interests of the directors or were such as to compromise the integrity of corporate assets;
- there were no atypical and/or unusual transactions carried out with third parties, related parties or group companies;

- no complaints were received by the Board of Auditors pursuant to Article 2408 of the Civil Code;
- following the checks performed, no omissions, censurable facts or significant irregularities were found that would merit mention in this report.

In the exercise of its functions, the Board of Auditors received information from the boards of auditors of the most important companies within the direct scope and that information did not report circumstances that would require mention in this Report.

In addition to the information already provided in this Report, during the year the Board of Auditors provided the reports required of it under applicable legislation and supervisory regulations for banks.

The Board of Auditors also declares that:

- it verified compliance with independence requirements on the part of the individual members of the Board of Auditors and that it both periodically and on a case-by-case basis took note of and assessed the notices received from its individual members regarding the number of other positions held/terminated and the related time commitment;
- it found that compliance with the integrity and experience requirements for corporate officers was appropriately assessed by the Board of Directors, as was the verification of other positions held for the purpose of the prohibition on interlocking officerships under Article 36 of Decree Law 201/2011 (ratified with amendments by Law 214/2011).

Draft financial statements and Report on Operations

The Board of Auditors examined the company financial statements for the year ended December 31, 2022. As the Board is not charged with the statutory audit of the financial statements, we performed an overall summary check of the general layout of the financial statements and their general compliance with the law with regard to their formation and structure, and in this regard we have no particular observations to report. The Board of Auditors also monitored compliance with the procedural rules governing the preparation of the consolidated financial statements.

The Board of Auditors also declares it has examined the following reports prepared by Mazars S.p.A.:

- the audit reports (individual and consolidated) issued on April 20, 2023 in accordance with Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation (EU) no. 537/2014;
- the additional report issued on April 20, 2022 in accordance with Article 11 of Regulation (EU) no. 537/2014, to the Board of Auditors in its capacity as the Internal Control and Audit Committee. This Report contains the annual confirmation of independence issued pursuant to Article 6, paragraph 2, letter a) of Regulation (EU) no. 537/2014. The Board informed the management body of the audited entity of the outcome of the statutory audit and sent the additional report referred to in Article 11 of Regulation (EU) no. 537/2014 to that body.

The above reports on the audit of the separate financial statements and the consolidated financial statements of the Group indicate that both documents provide a true and fair view of the financial position of Iccrea Banca S.p.A. and the ICBG at December 31, 2022, as well as the performance and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards endorsed by the European Union and the measures issued in implementation of Article 9 of Legislative Decree 38/05 and Article 43 of Legislative Decree 136/15. Moreover, in the opinion of the auditor, the Report on Operations is consistent with the financial statements and the consolidated financial statements of the ICBG at December 31, 2022 and has been prepared in compliance with the law.

The statutory auditor, with whom we met periodically for the purpose of exchanging information, did not report any acts or facts deemed censurable or any irregularities to the Board of Auditors.

In view of all of the foregoing and the content of the reports drafted by the statutory auditor, the Board of Auditors, within the scope of its responsibilities, finds no impediment to the approval of the draft separate financial statements at December 31, 2022 of Iccrea Banca S.p.A. and the allocation of the result for the year proposed by the Board of Directors.

Rome, May 9, 2022

The Board of Auditors

Barbara Zanardi (Chair)

Riccardo Andriolo

Claudia Capuano

REPORT OF THE AUDIT FIRM

Iccrea Banca S.p.A.

Independent auditors' report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

(translation of the original report issued in Italian)*

Consolidated financial statements as of 31 December 2022

ORMB/NSDN/vbrb- R2023/00541

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Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

(translation of the original report issued in Italian)*

To the Shareholders of Iccrea Banca S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Gruppo Bancario Cooperativo Iccrea (the "Group"), which comprise the consolidated balance sheet as at December 31, 2022, the income statement, the statement of comprehensive income, the statement of changes in shareholder's equity and the statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of the consolidated result of its operations and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the measured issued in implementation article 43 of Legislative Decree No. 136/2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the section of this report titled *Auditor's responsibilities for the audit of the consolidated financial statements*. We are independent of Iccrea Banca S.p.A. (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Mazars Italia S.p.A.
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Classification and valuation of financial loans to customers measured at amortized cost

For further information, please refer to the Explanatory Notes:

“Part A – Accounting policies" – Section A.2 paragraph 3. “Financial assets measured at amortized cost "

“Part B – Information on the balance sheet” - Section 4 “Financial assets measured at amortized cost"

"Part C – Information on the income statement”: Section 8 “Net losses/recoveries for credit risk”

"Part E – Risk and risk management policies

Description of the key audit matters	Audit procedures
Loans to customers measured at amortized cost, which are reported on line 40 b) of the balance sheet assets, as of 31 December 2022 amount to Euro 90.868 million, representing 52% of total assets. Their classification and evaluation provided by the directors is relevant for the audit in consideration of their significance, either with reference to the intrinsic complexity of the process of determining the expected losses and by the subjectivity in the formulation of the estimation processes, also in consideration of the uncertainty of the current macroeconomic context. Amongst the estimation factors, are of particularly significant the determination of the parameters for the estimation of expected credit losses (ECL), with the inclusion of forward-looking factors for the determination of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and the determination of future cash flows deriving from impaired loans. Additional and significant aspects to the audit are the derisking activities coordinated by the Parent Company through the transferring of impaired credit exposures, as well as the evolution of the regulatory and methodological framework on credit risk.	In response to this key aspect, the audit approach adopted involved the following procedures: • analysis and understanding of the internal control system, as well as internal procedures related to the monitoring of the quality of portfolio and the management of credit risk, as well as related measurement of expected losses; • verification of the correct implementation and operational effectiveness of controls, relevant for the purposes of the credit classification and assessment process, including the controls concern the IT system; • verification of the accurate determination of the parameters of PD, LGD and EAD relevant for the purpose of determining the value adjustments, as well as the verification of the classification criteria used in order to link loans to customers to the homogeneous categories of risk envisaged by the accounting standard IFRS 9 (so-called "staging allocation"); • execution of comparative analysis procedures with reference to the most significant variations in the cost of risk compared to the data of the previous year, by obtaining and analysing the monitoring reports internally prepared and discussing the results with the Head of Risk Management; • performing compliance and testing procedures on a sample base of practices aimed at verifying the correct classification and valuation of credit exposures;

Classification and valuation of financial loans to customers measured at amortized cost	
	• verification of the correct accounting treatment of transactions involving the sale of non-performing loans and probable defaults carried out during the year; • verification of the adequacy and compliance of the information provided in the explanatory notes. The procedures described above were also carried out with the support of experts and specialists in the field of valuation models and financial tools and information systems.

Responsibilities of the directors and board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union with the regulations issued to implement article 43 of Legislative Decree No. 136/2015 and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error or unintentional behavior or events..

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements, and for appropriate disclosure thereof. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the parent company Iccrea Banca S.p.A or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in such a manner as to give a true and fair view;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated to them any circumstances that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we identified those that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore representing the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) No. 537/2014

On 24 May 2021, the shareholders of Iccrea Banca S.p.A in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors ("collegio sindacale"), in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 [and article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Iccrea Banca S.p.A. are responsible for preparing a directors' report of Gruppo Bancario Cooperativo Iccrea as at 31.12.2022, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the consolidated financial statements of Gruppo Bancario Cooperativo Iccrea as at 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the consolidated financial statements of Gruppo Bancario Cooperativo Iccrea as at 31 December 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, No. 254

The directors of Iccrea Banca S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, No. 254.

We verified the approval by the directors of the non-financial statement.

Pursuant to art. 3, paragraph 10, of Legislative Decree 30 December 2016, No. 254, this statement is subject of a separate attestation issued by us.

Rome, 20 April 2023

Mazars Italia S.p.A.

Signed on the original

Olivier Rombaut
Partner – Registered auditor

(*)This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

REPORT AND SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY ICCREA BANCA S.P.A.

REPORT ON OPERATIONS OF THE PARENT COMPANY

CONTENTS

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1. DEVELOPMENTS IN PARENT COMPANY OPERATIONS AND THE MAIN ITEMS OF THE BALANCE SHEET AND INCOME STATEMENT

The following provides a summary description of the main items of the Parent Company's balance sheet and income statement at June 30, 2022. In order to permit a more immediate assessment of the items, the balance sheet and income statement schedules shown below are presented in a more summary format than those provided for by Circular 262/05 of the Bank of Italy.

BALANCE SHEET

Assets

€/thousands	31/12/2022	31/12/2021	Change	% change
Financial assets measured at amortized cost – *Due from banks – Loans and securities*	35,653,688	32,171,399	3,482,289	10.8
Financial assets measured at amortized cost –*Due from customers – Loans*	7,084,693	5,984,049	1,100,644	18.4
Financial assets measured at amortized cost – *Due from customers – Securities*	8,340,562	10,816,923	(2,476,361)	(22.9)
Financial assets measured at fair value through profit or loss	2,521,624	1,287,573	1,234,051	95.8
Financial assets measured at fair value through other comprehensive income	1,079,476	510,674	568,803	111.4
Equity investments	1,568,623	998,822	569,800	57.0
Other assets	642,509	681,328	(38,819)	-5.7
Total interest-bearing assets	**56,891,176**	**52,450,768**	**4,440,407**	**8.5**
Other non-interest-bearing assets	1,600,632	1,327,841	272,791	20.5
Total assets	**58,491,808**	**53,778,609**	**4,713,199**	**8.8**

At December 31, 2022 total assets amounted to €58.5 billion, an increase from the €53.8 billion posted at the end of December 2021, mainly reflecting the following developments:

- an increase in loans measured at amortized cost of €2.1 billion compared with the end of 2021. More specifically, this reflected:
  - an increase in amounts due from banks (+€3.5 billion), mainly attributable to the combined impact of: i) a decrease in the reserve requirement maintained on behalf of the mutual banks (-€6.1 billion), also reflecting the deleveraging and repositioning of the forms of funding carried out from the second quarter of 2022, which was correlated with the change in "Financial liabilities measured at amortized cost"; and ii) an increase in lending to the mutual banks (+€9.5 billion) connected with the revision of Group processes and infrastructure within the EuroSystem-Collateral-Management-System (ECMS), which as from December involved the full centralization of monetary policy operations with the Parent Company;
  - a reduction in loans to customers, largely attributable to a decrease in investments in debt securities (-€2.5 billion, mainly Italian government securities), only partly offset by an increase in repo transactions with the Clearing & Guarantee Fund (+0.6 billion) and loans primarily granted to companies within the direct scope of consolidation (+0.5 billion);
- an increase of €1.2 billion in financial assets measured at FVTPL (to €2.5 billion), attributable to the net effect of the following developments: i) an increase in assets held for trading, mainly reflecting an increase in the value of trading derivatives (+€1.3 billion; an analogous change is recorded under trading derivatives in liabilities), partially offset by a decrease in purchases of government debt securities (-€62.5 million); ii) a reduction in assets originally designated as at fair value (-€24.4 million), represented by the assets included in the Guarantee Scheme, in reflection of a decline in the value of the investment portfolio; and iii) a decrease in other financial assets mandatorily measured at fair value (-€23.8 million), reflecting repayments during the year and a decrease in the value of units in CIUs (-€26.7 million) and equity securities (-€5.8 million), partially offset by an increase in purchases of debt securities (+€8.8 million).

€/thousands	Financial assets held for trading	Financial assets designated as at FV	Other financial assets mandatorily measured at FV	Total
Debt securities	8,835	270,820	63,205	342,860
Equity securities	1,913	-	40,453	42,366
Units of CIUs	92	-	403,015	403,107
Derivatives	1,733,291	-	-	1,733,291
Total 31/12/2022	**1,744,131**	**270,820**	**506,673**	**2,521,624**
Total 31/12/2021	**461,894**	**295,250**	**530,429**	**1,287,573**
Change	**1,282,237**	**(24,430)**	**(23,756)**	**1,234,051**

- an increase of €568.8 million in financial assets measured at fair value through other comprehensive income, which are held under the HTCS business model, reflecting the purchase of debt securities (primarily government issues) in the amount of €420.8 million and equity securities of banks in the amount of €148.0 million (almost exclusively Bank of Italy shares purchased over the course of the year);

- an increase of €569.8 million in equity investments, mainly due to: i) the subscription of the capital increase of BCC Servizi Assicuravi Srl (+€265.0 million in connection with the reorganization of the Group's "Bancassurance" operations already discussed in the report on consolidated operations) and in Iccrea BancaImpresa S.p.A. (+€70.0 million); ii) the purchase of additional shares in Banca Mediocredito FVG (+€26.6 million previously held by the region of Friuli Venezia Giulia); iii) the acquisition of the new investment in Pay Holding S.p.A. (+€180.1 million as part of the reorganization designed to reposition the Group's e-money operations, a transaction described in the following section) and in BCC POS S.p.A. (+€2.0 million); iv) the subscription of shares pursuant to Art. 150-ter of the Consolidated Banking Act - as manager of the Guarantee Scheme – in Banca di Pisa e Fornacette (+€21.0 million) and Banca Centropadana (+€7.0 million). All of this was partially offset by the impairment loss on the equity investment held in Banca Sviluppo S.p.A. (-€1.8 million).

The following table provides a breakdown of amounts due from banks, largely represented by loans to the mutual banks (€30.3 billion, a substantial increase of €10.2 billion on the end of 2021). These loans, disbursed against pool collateral, include about €23.7 billion in operations with the ECB (TLTRO III) and €5 billion in other forms of collateralized financing.

€/thousands	31/12/2022	31/12/2021	Change	% change
Mutual banks	30,305,595	20,103,869	10,201,726	50.7%
Other credit institutions	5,348,093	12,067,530	(6,719,437)	-55.7%
Due from banks	**35,653,688**	**32,171,399**	**3,482,289**	**10.8%**

Amounts due from other credit institutions (including debt securities) include €3.6 billion in intercompany lending (about €3.3 billion to Iccrea BancaImpresa) and deposits with third parties for the remainder.

Loans to customers amounted to €7.1 billion, a rise on the €6.0 billion posted at the end of December 2021. Of the total, €2.4 billion regard intercompany loans. The change in the item is largely attributable to an increase in other transactions (+€0.4 billion) and in repurchase transactions with the Clearing & Guarantee Fund (+€0.6 billion).

€/thousands	31/12/2022	31/12/2021	Change	% change
Current accounts	191,375	234,053	(42,678)	-18.2%
Medium/long-term loans	2,729,605	2,566,541	163,064	6.4%
Repurchase transactions	728,304	143,286	585,018	408.3%
Other transactions	3,392,525	2,977,544	414,981	13.9%
Impaired assets	42,884	62,625	(19,741)	-31.5%
Loans to customers	**7,084,693**	**5,984,049**	**1,100,644**	**18.4%**

The following table provides a breakdown of impaired positions:

€/thousands	Gross exposure	Impairment losses	Net exposure	% coverage
Bad loans	43,988	36,926	7,063	83.9%
Unlikely to pay	130,534	96,851	33,684	74.2%
Impaired past-due	2,713	576	2,137	21.2%
Total 31/12/2022	**177,236**	**134,352**	**42,884**	**75.8%**
Total 31/12/2021	**269,745**	**207,120**	**62,625**	**76.8%**
Change	**(92,509)**	**(72,768)**	**(19,741)**	**-1.0%**

Liabilities

€/thousands	31/12/2022	31/12/2021	Change	% change
Financial liabilities measured at amortized cost – *Due to banks*	41,593,508	39,337,080	2,256,428	5.7%
Financial liabilities measured at amortized cost – *Due to customers*	8,663,966	7,510,089	1,153,877	15.4%
Financial liabilities measured at amortized cost – *Securities issued*	3,425,452	3,748,638	(323,186)	-8.6%
Financial liabilities held for trading	1,729,244	430,857	1,298,386	301.3%
Financial liabilities designated as at fair value	352,484	335,392	17,092	5.1%
Other liabilities	403,602	418,410	(14,808)	-3.5%
Total interest-bearing liabilities	**56,168,255**	**51,780,466**	**4,387,789**	**8.5%**
Other non-interest-bearing liabilities	221,593	309,029	(87,436)	-28.3%
Shareholders' equity	1,662,166	1,635,936	26,231	1.6%
Profit for the period	439,793	53,178	386,616	727.0%
Total liabilities and equity	**58,491,808**	**53,778,609**	**4,713,199**	**8.8%**

The increase in liabilities recorded in the period compared to the figure registered at the end of 2021 is mainly attributable to a €4.4 billion increase in interest-bearing funding, which was the net effect of the following developments:

- an increase of €2.3 billion in amounts due to banks to €41.6 billion, due to the combined effect of the increase in amounts due to central banks (+€5.2 billion) as a consequence of the centralization of monetary policy operations at the Parent Company within the ECMS area and the reduction in amounts due to banks (-€3.0 billion), notably term deposits (-€4.1 billion, following the deleveraging activity noted earlier) and repurchase agreements (-€0.4 billion), partly offset by an increase in deposits on current accounts and demand deposits (+€1.6 billion);
- an increase of €1.2 billion in amounts due to customers, which rose to €8.7 billion, reflecting an increase in repurchase agreements with the Clearing & Guarantee Fund (+€0.8 billion) and an increase in funding through current accounts (+€0.4 billion);
- a decrease in securities issued (-€0.3 billion), due almost entirely to the redemption of maturing securities (-€1.0 billion), partially offset by new issues (+0.7 billion);
- an increase in liabilities held for trading, attributable mainly to a rise in the value of trading derivatives (+€1.3 billion, connected with the analogous development in the corresponding asset item).

Amounts due to banks break down as follows:

- €13.1 billion in positions with the affiliated banks mainly in respect of term deposits (€9.2 billion, of which €3.0 billion in mutual bank deposits to meet reserve requirements) and amounts held on the daily settlement account (€3.7 billion);
- €28.5 billion in amounts due to other credit institutions, largely related to financing from the ECB under TLTRO III (€26.3 billion).

€/thousands	31/12/2022	31/12/2021	Change	% change
Mutual banks	13,129,059	17,459,981	(4,330,921)	-24.8%
Other credit institutions	28,464,449	21,877,100	6,587,349	30.1%
Due to banks	**41,593,508**	**39,337,080**	**2,256,428**	**5.7%**

Funding with customers amounted to €8.7 billion, an increase (+€1.2 billion) on December 31, 2021. The rise reflects an increase in repurchase transactions (+€0.8 billion) and an increase in current account funding (+€0.4 billion).

€/thousands	31/12/2022	31/12/2021	Change	% change
Current accounts and deposits	1,258,602	829,417	429,185	51.7%
Financing	6,975,584	6,094,575	881,009	14.5%
Other payables	429,780	586,097	(156,318)	-26.7%
Due to customers	**8,663,966**	**7,510,089**	**1,153,877**	**15.4%**

Equity

€/thousands	31/12/2022	31/12/2021	Change	% change
1. Capital	1,401,045	1,401,045	-	-
2. Share premium reserve	6,081	6,081	-	-
3. Reserves	236,491	183,456	53,035	28.9%
4. Equity instruments	-	-	-	-
5. (Treasury shares)	-	-	-	-
6. Valuation reserves	18,548	45,354	(26,806)	-59.1%
Total	**1,662,166**	**1,635,936**	**26,230**	**1.6%**

At December 31, 2022, the share capital of Iccrea Banca, represented by 27,125,759 ordinary shares with a par value of €51.65 each, was equal to €1.4 billion, unchanged from 2021. Shareholders' equity, excluding profit for the period, amounted to €1.7 billion, an increase of €26.2 million compared with December 31, 2021. The main changes reflect the allocation of 2021 profit (€53.2 million, of which €5.3 million to the legal reserve and €47.9 million to cover prior-period losses) and a decrease in valuation reserves (-€26.8 million), mainly due to changes in the cash flow hedge reserve (-€17.4 million) as a result of new hedges during the period and, for the remainder, a decrease in valuations of securities in the FVOCI portfolio.

Income statement

€/thousands	31/12/2022	31/12/2021	Change	% change
Net interest income	**231,984**	**176,085**	**55,899**	**31.7%**
Other gains/losses on financial transactions	(10,779)	89,745	(100,524)	-112.0%
Dividends	13,475	28,441	(14,966)	-52.6%
Net fee and commission income	**72,100**	**92,741**	**(20,641)**	**-22.3%**
Other operating expenses/income	**306,780**	**387,012**	**(80,232)**	**-20.7%**
Gross income	(197,079)	(185,182)	(11,897)	6.4%
Personnel expenses	(265,102)	(249,409)	(15,693)	6.3%
Other administrative expenses	(2,246)	(2,589)	343	-13.2%
Net adjustments of property, plant and equipment and intangible assets	114,170	179,829	(65,659)	-36.5%
Total operating expenses	**(350,257)**	**(257,352)**	**(92,905)**	**36.1%**
Gross operating profit	**(43,477)**	**129,660**	**(173,137)**	**-133.5%**
Net provisions for risks and charges	1,813	(4,623)	6,436	-139.2%
Net losses/recoveries on impairment of loans and other financial transactions	22,591	(67,638)	90,229	-133.4%
Total provisions and adjustments	**24,404**	**(72,261)**	**96,665**	**-133.8%**
Profit/(loss) from equity investments	437,836	(27,116)	464,952	-1,714.7%
Profit/(loss) before tax	**418,763**	**30,284**	**388,479**	**1,282.8**
Income tax expense	13,854	(1,876)	15,730	-838.5%
Profit/(loss) after tax on discontinued operations	7,176	24,770	(17,594)	-71.0%
Profit/(loss) for the period	**439,793**	**53,178**	**386,615**	**727.0%**

The profit for 2022 amounted to €439.8 million, compared with a profit of €53.2 million in 2021. The main factors driving the result were the following:

- a decrease of €80.2 million in gross income to €306.8 million at the end of 2022, reflecting:
    - an increase in net interest income (+€55.9 million) attributable to: i) an increase in the yields on securities (+€94.5 million, almost all of which are Italian inflation-linked government securities); ii) an increase in yields deriving from other technical forms of investment, mainly linked to trends in interest rates (+€28.0 million); iii) the recognition of interest income on tax credits (+€4.9 million); conversely, costs increased on iv) funding through bond issues (-€15.1 million), v) repurchase transactions (-€13.1 million) and vi) deposits on current accounts (-€35.4 million);
    - a reduction in net fee and commission income (-€20.6 million), mainly due to the recognition of performance fees connected with the exclusive promotion and placement agreement for e-money products and services with the Group mutual banks (-€13.7 million), a decrease in fee and commission income for securities placement (-€4.2 million) and a decrease in fee and commission income for Medio Credito Centrale servicing activities (-€4.2 million);
    - a contraction of €100.5 million in other income/(loss) from financial operations, which amounted to €10.8 million (as detailed in the following table), reflecting a decline in the volume of sales compared with 2021 (-€51.7 million). Also decreasing was the value of the HTCS portfolio (-€36.9 million), mainly due to capital losses on units of CIUs and equity securities (-€31.8 million) and debt securities (-€3.6 million). Also showing a loss were i) trading activities (-€6.9 million) – mainly in derivatives (-€8.4 million), only

partly offset by the stronger performance of securities trading (+€0.9 million); and ii) hedging activities (-€5.1 million), which were sharply impacted by interest rate developments during the year;

€/thousands	31/12/2022	31/12/2021	Change	% change
Net gain (loss) on trading activities	13,225	20,115	(6,890)	-34.3%
Net gain (loss) on hedging activities	(4,946)	108	(5,054)	-4,681.3%
Net gain (loss) on the disposal or repurchase of:	25,442	77,151	(51,709)	-67.0%
a) financial assets measured at amortized cost	34,917	76,471	(41,555)	-54.3%
b) financial assets measured at fair value through other comprehensive income	(9,357)	4,357	(13,714)	-314.8%
c) financial liabilities	(117)	(3,677)	3,560	-96.8%
Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss	(44,500)	(7,629)	(36,871)	483.3%
a) financial assets and liabilities measured at fair value	(4,547)	(3,128)	(1,418)	45.3%
b) other financial assets mandatorily measured at fair value	(39,954)	(4,501)	(35,452)	787.6%
Total "Other income/(loss) from financial operations"	**(10,779)**	**89,745**	**(100,524)**	**-112.0%**

- a decline of €15.0 million on the same period of 2021 in dividend income, which amounted to €13.5 million. The decrease mainly reflected the decision to not distribution dividends of the companies in the direct scope (-€23.3 million), partially offset by dividends from the interest in the Bank of Italy (+€6.8 million);
- an increase of €92.9 million in operating expenses, which rose to €350.3 million, reflecting the following developments:
  - a decrease in other operating expenses/income (-€65.7 million), mainly attributable to the recognition of one-off charges (€90 million) connected with long-term exclusive distribution contracts and agreements for the products and services of BCC Pay between Iccrea Banca and the Group mutual banks. Excluding this component, revenues from services rendered to ICBG companies increased;
  - an increase of €11.9 million in personnel expenses, of which €7.7 million attributable to an increase in wages and salaries under the terms of the contract renewal, salary adjustments and an expansion of the workforce; €2.6 million to an increase in provisions for variable components of remuneration (lump-sum bonus, performance bonus, MBO bonus) and €1.6 million to other items such as training, travel expenses, per diems, overtime, leases and secondments;
  - an increase of €15.7 million in other administrative expenses, mainly reflecting increases associated with: i) IT expenses and consulting (+€9.1 million); ii) advertising and communication expenses (+€7.5 million); iii) postal and telephone expenses (+€4.3 million); iv) expenses relating to workstations (+€1.2 million) and travel and transport (+€1 million). Conversely, there was a decrease in expenses relating to consulting and other professional services (-€8 million);
- a decrease in the cost of risk (see following table) with the recognition of writebacks on on-balance-sheet and off-balance-sheet exposures of €23.8 million, equal to the net effect of writebacks on stage 1 and 2 exposures (+€28.8 million) and impairment losses on non-performing stage 3 exposures (-€5.0 million).

€/thousands	31/12/2022	31/12/2021	Change	% change
A. On-balance-sheet exposures				
Stage 1 and 2	26,264	(24,283)	50,547	-208.2%
Stage 3	(3,673)	(43,355)	39,682	91.5%
B. Off-balance-sheet exposures				
Stage 1 and 2	2,493	(3,864)	6,357	164.5%
Stage 3	(1,321)	(1,209)	(112)	9.3%
Total	**23,763**	**(72,711)**	**96,474**	**132.7%**

- an increase in gains recognized on controlling interests (+€465 million) to €437.8 million. This was mainly attributable to the capital gain realized on the sale of BCC Pay to FSI (€439.9 million, as part of the strategic initiative connected with the e-money segment, an operation described in further detail in the following section). During the year, A the equity investment in Banca Sviluppo was also written down (-€1.8 million).

The item "profit (loss) after tax on discontinued operations" reports the net profit of the assets and liabilities transferred as from the second quarter of 2022 to BCC Pay as part of the spin-off of e-money operations.

2. STRATEGIC REPOSITIONING IN THE E-MONEY SEGMENT

During 2022, the strategic operation to leverage the e-money business, approved by the Board of Directors on November 29, 2018, was completed. On January 29, 2022 the Bank signed an agreement for a strategic partnership with FSI SGR S.p.A. (Fondo Strategico Italiano, hereinafter "FSI") aimed at developing the e-money business. As part of this operation, on March 17, 2022, the sale of the "e-money" business unit to BCC Pay S.p.A. was officially completed, the latter being authorized to issue electronic money and provide payment services pursuant to Article 1, paragraph 2, letter h-septies. 1) of the Consolidated Banking Act with a measure issued by the Bank of Italy on October 5, 2021 and is entered in the Register of Electronic Money Institutions with effect from October 12, 2021. The business unit transferred comprised the assets and liabilities relating to the e-money business including, among others, the associated human resources, assets and related legal relationships.

"Acquiring" e-money operations were transferred with effect from April 1, 2022 and "Issuing" operations were transferred with effect from May 1, 2022. On August 3, 2022, Iccrea Banca and FSI finalized the strategic partnership agreed in January 2022 to further develop BCC Pay as a fintech operator. The operation was concluded following receipt of authorization from all the competent authorities and provided for the investment of FSI in BCC Pay through the acquisition - through the vehicle PAY Holding S.p.A. – of 60% of the company's share capital, while Iccrea Banca - again through PAY Holding S.p.A. - holds the remaining 40%. Within the context of the overall strategic repositioning in the segment, contracts and exclusive long-term distribution agreements were also signed for the products and services of BCC Pay for the Group.

The main stages of the operation and the related impacts on the financial statements at December 31, 2022 are summarized below.

Signing of exclusive promotion and placement contracts between Iccrea Banca and the participating mutual banks

Iccrea Banca and the participating mutual banks have signed a contract for the exclusive promotion and placement of the e-money products and services provided by Iccrea Banca, also through BCC Pay, for an indeterminate term (without prejudice to a right of withdrawal no fewer than 20 years from the date of the transfer of the business units to BCC Pay S.p.A., and subject to provision of adequate notice). Specifically, Iccrea Banca has i) identified BCC Pay as its supplier of BCC Pay products and services; ii) assumed the role as coordinator of commercial activities, providing support to the participating mutual banks in the form of commercial planning, management and coordination of the commercial network, development and implementation of branding and marketing strategies, the management of innovation needs and the definition of training plans.

The agreement provides for:

- a one-time payment of €90 million to the mutual banks for the exclusive commercial rights granted to Iccrea Banca, the cost of which was fully recognized in 2022 profit or loss of Iccrea Banca;
- an additional performance fee component (the "rappel") supplementing the ordinary fee and commission framework for the arrangement. This additional component is linked to the achievement of specific qualitative and quantitative targets of the commercial plan over the 2022-2029 period concerning the promotion and placement of products and services. More specifically, the amount of the rappel is determined as follows: i) 20% for the achievement of qualitative objectives (such as, by way of example, customer satisfaction, reputational risk, credit quality) and ii) 80% % for the achievement of quantitative targets in terms of transaction volumes assigned to the mutual banks for each year of the 2022-2029 period, weighted for each issuing and acquiring product category ("weighted transaction targets"). Award of the quantitative rappel is subject, for each reference year, to achievement of at least 90% of the weighted transaction target, with no decrease compared with the previous year (if less than 100%). The arrangements also provide for the payment of an extra-rappel in the event of overperformance, up to achievement of 110% of the weighted transaction target. In the event of failure to achieve 100% of the annual weighted transaction target, the mutual bank shall receive a portion of the quantitative rappel defined for the reference year, which shall in in any case be paid only when certain gates are passed on a proportional basis. In the event mutual bank, for one or more years of the 2022-2024 period, does not achieve values of the weighted transaction target sufficient for payment of the quantitative rappels and, nevertheless, manages to achieve at least 100% of the weighted transaction target in 2025, it will be entitled to payment of 50% of the quantitative rappels not achieved in the 2022-2024 period. If the mutual bank registers a lower performance than the previous year and does not achieve at least 100% of the weighted transaction target in the year in question, a clawback mechanism will be applied for the portion of the quantitative rappel received in the previous year through the application of a proportional corrective amount.

At December 31, 2022, in the light of the performance of the operations generated by the mutual banks participating in the exclusive promotion and placement agreement, Iccrea Banca evaluated the weighted transaction targets as envisaged under the promotion and placement agreement and consequently recognized a charge of €13.7 million.

Investment agreement

As noted earlier, the structure of the partnership between Iccrea Banca and FSI SGR S.p.A. defined in the investment agreement was finalized on August 3 through the acquisition of 100% of BCC Pay by Pay Holding S.p.A. for €461 million.

The investment agreement also provides for a number of price adjustment mechanisms tied to achievement of plan targets linked to the fee and commission income generated by BCC Pay on the ICBG network:

- a downward earn-in adjustment of the BCC Pay price, settled on exit, to be paid in the event that net commission income generated by BCC Pay on the ICBG network in future years (starting from 2024) is lower than contractually identified target values. Based on the sustainability analysis of the 2021-2024 business plan of BCC Pay S.p.A., the value of the obligation for the earn-in at December 31, 2022 is estimated to be 0;
- an upward earn-out adjustment of the BCC Pay price, in 2 installments: i) in the event that net commission income generated by BCC Pay on the ICBG network in 2024 and upon exit is greater than the contractually identified target values; ii) in the event that at the time of the exit the returns on invested capital of FSI are greater than the contractually identified values. Based on the plan projections determined at the time of establishment of the company, the estimated value of the earn-out at December 31, 2022 is equal to 0.

Both the value of the price adjustment deriving from the earn-in and that deriving from the earn-out were measured at fair value, determined in accordance with IFRS 13.

At December 31, 2022, on the basis of the aforementioned analysis of the sustainability of the 2021-2024 business plan of BCC Pay S.p.A. and developments in commercial operations, the gates for payment of the earn-in by Iccrea Banca cannot be activated.

At the transaction closing, Iccrea Banca recognized the investment in Pay Holding at a value of €180.1 million and recognized a net capital gain realized on the sale of BCC Pay of €439.9 million.

3. REFERRALS TO OTHER PARTS OF THE FINANCIAL STATEMENTS

This separate Report on Operations only includes comments on developments in Parent Company operations. For all other information required under the provisions of law and regulations, reference should be made - in the context of the discussion of the specific issues – to the notes to these individual financial statements or to the consolidated financial statements and the related Report on Operations.

In particular, please see to the notes to these separate financial statements with regard to:

- information on the Bank's transactions with related parties, which are reported in Part H;
- information on financial and operational risks, which are discussed in Part E;
- information on capital, which is reported in Part F.

Readers should instead consult the Report on Operations in the consolidated financial statements with regard to:

- information on the main risks and uncertainties;
- events subsequent to the balance sheet date and the outlook for operations.

Finally, please consult the Report on Operations in the consolidated financial statements for more information on the main characteristics of the risk management and internal control systems with regard to the financial reporting process (Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Financial Intermediation.

4. PROPOSED ALLOCATION OF PROFIT

With regard to the profit for the year, which amounts to €439,793,433, we propose the following allocation to the shareholders:

- €43,979,343 to the legal reserve (in accordance with the provisions of the articles of association);
- €395,314,090 to retained earnings;
- €500,000 available to the directors for charitable and similar contributions.

SEPARATE FINANCIAL STATEMENTS

BALANCE SHEET

Assets		31/12/2022	31/12/2021
10.	Cash and cash equivalents	960,917,278	1,214,581,917
20.	Financial assets measured at fair value through profit or loss	2,521,624,401	1,287,573,138
	a) financial assets held for trading	1,744,131,032	461,893,796
	b) financial assets designated as at fair value	270,820,313	295,250,168
	c) other financial assets mandatorily measured at fair value	506,673,056	530,429,174
30.	Financial assets measured at fair value through other comprehensive income	1,079,476,229	510,673,621
40.	Financial assets measured at amortized cost	51,073,505,107	48,971,725,459
	a) due from banks	35,653,688,274	32,171,398,850
	b) loans to customers	15,419,816,833	16,800,326,609
50.	Hedging derivatives	570,701,599	37,112,184
60.	Value adjustments of financial assets hedged generically (+/-)	(1,100,603)	(607,133)
70.	Equity investments	1,568,622,725	998,822,259
80.	Property, plant and equipment	2,501,944	4,251,443
90.	Intangible assets	535,517	822,062
100.	Tax assets	67,076,673	68,924,159
	a) current	35,059,681	53,916,033
	b) deferred	32,016,992	15,008,126
110.	Non-current assets and disposal groups held for sale	5,437,988	206,868,648
120.	Other assets	642,509,058	477,861,409
	Total assets	**58,491,807,917**	**53,778,609,166**

Liabilities and shareholders' equity		31/12/2022	31/12/2021
10.	Financial liabilities measured at amortized cost	53,682,926,167	50,480,116,372
	a) due to banks	41,593,507,994	39,337,080,204
	b) due to customers	8,663,966,010	7,394,397,770
	c) securities issued	3,425,452,163	3,748,638,398
20.	Financial liabilities held for trading	1,729,243,570	430,857,148
30.	Financial liabilities designated as at fair value	352,483,757	335,391,646
40.	Hedging derivatives	165,493,576	247,018,407
60.	Tax liabilities	3,303,751	1,649,779
	b) deferred	3,303,751	1,649,779
70.	Liabilities associated with assets held for sale	-	182,098,339
80.	Other liabilities	403,601,765	354,895,625
90.	Employee termination benefits	12,649,088	15,347,312
100.	Provisions for risks and charges:	40,146,602	42,121,031
	a) commitments and guarantees granted	30,799,479	31,971,538
	c) other provisions for risks and charges	9,347,123	10,149,493
110.	Valuation reserves	18,548,317	45,353,084
140.	Reserves	236,491,035	183,455,648
150.	Share premium reserve	6,081,405	6,081,405
160.	Share capital	1,401,045,452	1,401,045,452
180.	Net profit (loss) for the period (+/-)	439,793,433	53,177,917
	Total liabilities and shareholders' equity	**58,491,807,917**	**53,778,609,166**

INCOME STATEMENT

		31/12/2022	31/12/2021
10.	Interest and similar income	566,276,555	466,450,694
	of which: interest income calculated using effective interest rate method	687,874,420	336,235,095
20.	Interest and similar expense	(334,292,319)	(290,365,624)
30.	**Net interest income**	**231,984,236**	**176,085,070**
40.	Fee and commission income	435,100,068	113,546,963
50.	Fee and commission expense	(362,999,774)	(20,806,420)
60.	**Net fee and commission income (expense)**	**72,100,295**	**92,740,543**
70.	Dividends and similar income	13,475,218	28,441,294
80.	Net gain (loss) on trading activities	13,224,567	20,115,001
90.	Net gain (loss) on hedging activities	(4,945,964)	107,961
100.	Net gain (loss) on the disposal or repurchase of:	25,442,385	77,151,364
	a) financial assets measured at amortized cost	34,916,698	76,471,482
	b) financial assets measured at fair value through other comprehensive income	(9,357,160)	4,356,738
	c) financial liabilities	(117,152)	(3,676,856)
110.	Net gain (loss) on financial assets and liabilities measured at fair value through profit or loss	(44,500,252)	(7,629,497)
	a) financial assets and liabilities designated as at fair value	(4,546,547)	(3,128,102)
	b) other financial assets mandatorily measured at fair value	(39,953,706)	(4,501,395)
120.	**Gross income**	**306,780,484**	**387,011,737**
130.	Net losses/recoveries for credit risk in respect of:	22,590,665	(67,638,212)
	a) financial assets measured at amortized cost	23,656,883	(68,088,368)
	b) financial assets measured at fair value through other comprehensive income	(1,066,218)	450,156
150.	**Net income (loss) from financial operations**	**329,371,149**	**319,373,525**
160.	Administrative expenses:	(462,180,453)	(434,591,270)
	a) personnel expenses	(197,078,739)	(185,182,226)
	b) other administrative expenses	(265,101,714)	(249,409,044)
170.	Net provisions for risks and charges	1,813,325	(4,622,729)
	a) commitments and guarantees granted	1,172,059	(5,072,741)
	b) net provisions for other risk and charges	641,266	450,012
180.	Net adjustments of property plant and equipment	(1,959,582)	(2,171,105)
190.	Net adjustments of intangible assets	(286,545)	(417,755)
200.	Other operating expenses/income	114,169,608	179,828,677
210.	**Operating expenses**	**(348,443,648)**	**(261,974,182)**
220.	Profit (loss) from equity investments	437,835,724	(27,115,826)
260.	**Profit (loss) before tax on continuing operations**	**418,763,225**	**30,283,517**
270.	Income tax expense from continuing operations	13,854,028	(1,875,909)
280.	**Profit (loss) on continuing operations after tax**	**432,617,253**	**28,407,608**
290	Profit (loss) on discontinued operations after tax	7,176,179	24,770,309
300.	**Profit (loss) for the period**	**439,793,433**	**53,177,917**

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2022	31/12/2021
10.	**Net profit (loss) for the period**	**439,793,433**	**53,177,917**
	Other comprehensive income net of taxes not recyclable to profit or loss	**562,633**	**5,168,564**
20.	Equity securities designated as at fair value through other comprehensive income	(935,324)	5,588,345
70.	Defined benefit plans	1,497,956	(419,781)
	Other comprehensive income net of taxes recyclable to profit or loss	**(27,367,400)**	**2,134,193**
120.	Cash flow hedges	(17,373,139)	4,605,457
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(9,994,261)	(2,471,264)
170.	**Total other comprehensive income net of taxes**	**(26,804,767)**	**7,302,757**
180.	**Comprehensive income (item 10+170)**	**412,988,666**	**60,480,674**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2022

				Allocation of net profit of previous year		Change in the period									
							Equity transactions								
	As at 31/12/2021	Change in opening balance	As at 1/1/2022	Reserves	Dividends and other destinations	Change in reserves	Issue of new shares	Purchase of treasury shares	Interim dividends	Extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 31/12/2022	Shareholders' equity at 31/12/2022
Share capital:															
a) ordinary shares	1,401,045,452	X	1,401,045,452	-	X	X	-	-	X	X	X	X	X	X	1,401,045,452
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	X	-
Share premium reserve	6,081,405	X	6,081,405	-	X	-	-	X	X	X	X	X	X	X	6,081,405
Reserves:															
a) earnings	183,455,648	-	183,455,648	53,177,917	X	(142,530)	-	-	X	-	X	X	X	X	236,491,035
b) other	-	-	-	-	X	-	-	X	X	-	X	-	-	X	-
Valuation reserves	45,353,084	-	45,353,084	-	X	-	X	X	X	X	X	X	X	(26,804,767)	18,548,317
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	X	-
Treasury shares	-	X	-	X	X	X	-	-	X	X	X	X	X	X	-
Net profit (loss) for the period	53,177,917	-	53,177,917	(53,177,917)	-	X	X	X	X	X	X	X	X	439,793,433	439,793,433
Total shareholders' equity	**1,689,113,506**	**-**	**1,689,113,506**	**-**	**-**	**(142,530)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**412,988,666**	**2,101,959,642**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2021

				Allocation of net profit of previous year		Change in the period									
							Equity transactions								
	As at 31/12/2020	Change in opening balance	As at 1/1/2021	Reserves	Dividends and other destinations	Change in reserves	Issue of new shares	Purchase of treasury shares	Interim dividends	Extraordinary dividends	Change in equity instruments	Derivatives on own shares	Stock options	Comprehensive income at 31/12/2021	Shareholders'equity at 31/12/2021
Share capital:															
a) ordinary shares	1,401,045,452	X	1,401,045,452	-	X	X	-	-	X	X	X	X	X	X	1,401,045,452
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	X	-
Share premium reserve	6,081,405	X	6,081,405	-	X	-	-	X	X	X	X	X	X	X	6,081,405
Reserves:															
a) earnings	252,485,541	-	252,485,541	(66,795,259)	X	(2,234,633)	-	-	X	-	X	X	X	X	183,455,648
b) other	-	-	-	-	X	-	-	X	X	-	X	-	-	X	-
Valuation reserves	38,050,327	-	38,050,327	-	X	-	X	X	X	X	X	X	X	7,302,757	45,353,084
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	X	-
Treasury shares	-	X	-	X	X	X	-	-	X	X	X	X	X	X	-
Net profit (loss) for the period	(66,795,259)	-	(66,795,259)	66,795,259	-	X	X	X	X	X	X	X	X	53,177,917	53,177,917
Total shareholders' equity	**1,630,867,466**	**-**	**1,630,867,466**	**-**	**-**	**(2,234,633)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,480,674**	**1,689,113,506**

STATEMENT OF CASH FLOWS: INDIRECT METHOD

	31/12/2022	31/12/2021
A. OPERATING ACTIVITIES		
1. Operations	**(436,818,960)**	**(183,290,885)**
- net profit (loss) for the period (+/-)	439,793,433	53,177,916
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss (-/+)	41,860,815	18,606,022
- gains (losses) on hedging activities (-/+)	4,945,964	(107,961)
- net losses/recoveries on impairment (+/-)	(24,654,942)	(9,808,464)
- net adjustments of property plant and equipment and intangible assets (+/-)	2,246,127	2,588,860
- net provisions for risks and charges and other costs/revenues (+/-)	(439,581,027)	14,617,381
- taxes, duties and tax credits to be settled (+/-)	(13,724,210)	(383,804)
- net adjustments of groups of assets held for sale net of tax effects (+/-)	-	-
- other adjustments (+/-)	(447,705,121)	(261,980,835)
2. Net cash flows from/used in financial assets	**(4,136,526,185)**	**(2,629,380,041)**
- financial assets held for trading	(1,280,253,884)	101,809,385
- financial assets designated as at fair value	6,688,082	63,670,970
- other assets mandatorily measured at fair value	(15,683,736)	(137,128,199)
- financial assets measured at fair through other comprehensive income	(579,041,223)	(193,913,597)
- financial assets measured at amortized cost	(3,011,230,783)	(2,187,048,933)
- other assets	742,995,360	(276,769,667)
3. Net cash flows from/used in financial liabilities	**4,459,811,813**	**2,902,663,197**
- financial liabilities measured at amortized cost	3,325,322,550	2,895,920,348
- financial liabilities held for trading	1,298,321,753	(132,691,680)
- financial liabilities designated as at fair value	30,521,767	(4,222,480)
- other liabilities	(194,354,257)	143,657,009
Net cash flows from/used in operating activities (A)	**(113,533,331)**	**89,992,271**
B. INVESTING ACTIVITIES		
1. Cash flows from	**270,777,148**	**282,239,189**
- sale of equity investments	270,000,000	257,715,459
- dividends on equity investments	777,148	23,404,091
- sale of property plant and equipment	-	-
- sale of intangible assets	-	1,119,639
- sale of business units	-	-
2. Cash flows used in	**(410,908,456)**	**(3,140,595)**
- purchases of equity investments	(410,900,468)	-
- purchases of property plant and equipment	(7,988)	(2,908,595)
- purchases of intangible assets	-	(232,000)
- purchases of business units	-	-
Net cash flows from/used in investing activities (B)	**(140,131,307)**	**279,098,594**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	-	-
- distribution of dividends and other	-	-
Net cash flows from/used in financing activities C(+/-)	**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (D)=A+/-B+/-C	**(253,664,639)**	**369,090,865**

Key:
(+) generated
(-) used

RECONCILIATION

	31/12/2022	31/12/2021
Cash and cash equivalents at beginning of period (E)	1,214,581,917	845,491,052
Net increase/decrease in cash and cash equivalents (D)	(253,664,639)	369,090,865
Cash and cash equivalents: effect of exchange rate changes (F)	-	-
Cash and cash equivalents at end of period (G)=E+/-D+/-F	960,917,278	1,214,581,917

NOTES TO THE FINANCIAL STATEMENTS

PART A - ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

SECTION 1 – DECLARATION OF CONFORMITY WITH INTERNATIONAL ACCOUNTING STANDARDS

In compliance with the provisions of Legislative Decree 38 of February 28, 2005, the separate financial statements of Iccrea Banca have been prepared in condensed form and in accordance with the recognition and measurement criteria of the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and the related interpretations of the International Financial Reporting Interpretations Committee (IFRS-IC), endorsed by the European Commission and in force as of the reporting date.

The IASs/IFRSs have also been applied in accordance with the "Conceptual Framework for Financial Reporting" (the Framework), with particular regard to the key principle of the prevalence of substance over form, as well as the concepts of relevance and materiality of information.

These financial statements have been prepared using the main tables provided for in Circular no. 262 of December 22, 2005 governing the format and rules for the preparation of bank financial statements, – 7th update of October 29, 2021 issued by the Bank of Italy in the exercise of the powers established by Article 43 of Legislative Decree 136/2015, as well as the Communication of the Bank of Italy of December 15, 2020 – Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy and amendments of the IAS/IFRS, updated with a Communication of the Bank of Italy on December 21, 2021. [26]

The IASs/IFRSs applied in preparing the financial statements were those endorsed and in force at December 31, 2022.

IFRS standards, amendments and interpretations in force as from January 1, 2022

The following IASs/IFRSs and the associated SIC/IFRIC interpretations have been in force since January 1, 2022.

On July 2, 2021 Regulation (EU) no. 2021/1080 was published, endorsing the following documents published by the IASB on May 14, 2020:

- "Reference to the Conceptual Framework (Amendments to IFRS 3)" the amendments are intended to update references in IFRS 3 to the revised Conceptual Framework without changing the provisions of the standard. At the same time, they make explicit the prohibition on recognizing contingent assets (i.e. assets whose existence will only be confirmed by uncertain future events) in business combinations (previously, that prohibition had only been explicitly referred to in the Basis for Conclusions);
- "Property, Plant and Equipment - Proceeds before Intended Use (Amendment to IAS 16)" which prohibit the deduction from the cost of an item of property, plant and equipment of proceeds of the sale of items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Such proceeds and the related costs shall therefore be recognized through profit or loss;
- "Onerous Contracts — Cost of Fulfilling a Contract (Amendment to IAS 37)" which clarifies which costs must be considered in assessing whether a contract is onerous. More specifically, in determining whether a contract is onerous, the estimate must include all directly related costs, not just the incremental costs of fulfilling that contract. Consequently, the measurement of the potential cost of a contract shall include incremental costs (for example, the cost of the material directly used in production), but also all the costs that the company cannot avoid as it has entered into the contract (for example, the allocation of personnel costs and the depreciation charge for the machinery used in fulfilling the contract);
- "Annual Improvements to IFRS Standards 2018–2020", which contains amendments for four standards:
  - IFRS 1 – "Subsidiary as a first-time adopter";
  - IFRS 9 – "Fees in the '10 per cent' test for derecognition of financial liabilities": the amendment clarifies which fees are to be considered in performing the test in application of paragraph B3.3.6 of IFRS 9 in determining whether to derecognize a financial liability;
  - IFRS 16 – "Lease incentives": the change involved an illustrative example;
  - IFRS 41 – "Taxation in fair value measurements".

The amendments took effect as from January 1, 2022. In view of the limited scope of the amendments, which introduce minor changes and clarifications, they did not have an impact on the financial statements.

To ensure the completeness of disclosure, on March 31, 2021, the IASB published the amendment "*COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)*" (endorsed with Commission Regulation (EU) no. 2021/1421) which extended by one year

[26] See the "Aggiornamento delle integrazioni alle disposizioni della Circolare n. 262 - Il bilancio bancario: schemi e regole di compilazione" concerning the impact of COVID-19 and the measures to support the economy.

the period of application of the amendment issued in 2020, which allowed lessees to recognize rent concessions granted in connection with COVID-19 without having to assess whether the concession constituted a lease modification under IFRS 16. Lessees who applied this amendment in 2020 recognized the effects of the rent concessions directly through profit or loss at the effective date of the concession. The 2021 amendment, which was available only for entities that had already applied the 2020 amendment, took effect from April 1, 2021 since early adoption was permitted. The adoption of these amendments did not have an impact on the Bank, which had not elected to exercise the option governed by the amendment published in 2020.

IFRS standards, amendments and interpretations endorsed by the European Union but not yet mandatorily applicable and not adopted early as at December 31, 2022

The following IFRS standards, amendments and interpretations endorsed by the European Union were not yet mandatorily applicable and not adopted early as at December 31, 2022

On May 18, 2017, the IASB published IFRS 17 - *Insurance Contracts*, which is intended to replace IFRS 4 - *Insurance Contracts*, endorsed with Commission Regulation (EU) no. 2021/2036 of November 19, 2021.

The objective of the new standard is to ensure that an entity provides material information that faithfully represents the rights and obligations deriving from the insurance contracts it writes. The IASB developed the standard to eliminate inconsistencies and weaknesses in existing accounting policies by providing a single principle-based framework to account for all types of insurance contracts, including the reinsurance contracts that an insurer holds.

The new standard also provides for presentation and disclosure requirements to improve comparability between entities in this sector.

The new standard measures an insurance contract based on a General Measurement Model or a simplified version of this, called the Premium Allocation Approach (“PAA”).

The main features of the General Measurement Model are:

- the estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates make extensive use of information observable on the market;
- there is a current and explicit measurement of risk;
- expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and
- expected profit is recognized over the contractual coverage period, taking account of adjustments deriving from changes in the assumptions relating to the cash flows of each group of contracts.

The PAA approach provides for the measurement of the liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entity expects that this liability reasonably represents an approximation of the General Model. Contracts with a coverage period of one year or less are automatically eligible for the PAA approach. The simplifications resulting from the application of the PAA method do not apply to the assessment of liabilities for outstanding claims, which are measured with the General Measurement Model. However, it is not necessary to discount those cash flows if it is expected that the balance will be paid or collected within one year of the date on which the claim is made.

Entities shall apply the new standard to insurance contracts written, including reinsurance contracts written, reinsurance contracts held and investment contracts with a discretionary participation feature (DPF).

The standard shall take effect from January 2023, but early application is permitted for entities that apply IFRS 9 - *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers*. Adoption of the standard is not expected to have a significant impact on the Bank’s financial statements.

On 9 December 2021, the IASB published “*Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information*”, endorsed with Commission Regulation (EU) no. 2022/1491 of September 8, 2022, published on September 9, 2022 in the *Official Journal of the European Union* no. L 234 and in force since January 1, 2023 together with application of IFRS 17. The amendment is a transition option relating to comparative information on financial assets presented on initial application of IFRS 17. The amendment seeks to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore to improve the usefulness of comparative information for users of financial statements. The new paragraphs introduced by the amendments establish:

- an entity that first applies IFRS 17 and IFRS 9 at the same time is permitted to apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for IFRS 9. Comparative information for a financial asset will not be restated for IFRS 9 if either the entity chooses not to restate prior periods or the entity restates prior periods but the financial asset has been derecognized during those prior periods;

- an entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date to determine how the entity expects the financial asset would be classified and measured on initial application of IFRS 9;
- in applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements in Section 5.5 of IFRS 9. If, based on the classification determined applying paragraph C28B, the financial asset would be subject to the impairment requirements in Section 5.5 of IFRS 9, but the entity does not apply those requirements in applying the classification overlay, the entity shall continue to present any amount recognized in respect of impairment in the prior period in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Otherwise, any such amounts shall be reversed. Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs C28B–C28C shall be recognized in opening retained earnings (or other component of equity, as appropriate) at the transition date.

The amendments also establish that an entity that applies paragraphs C28B-C28D shall:

a) disclose qualitative information that enables users of financial statements to understand: i. the extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognized in the comparative period); ii whether and to what extent the impairment requirements in Section 5.5 of IFRS 9 have been applied (see paragraph C28C);
b) only apply those paragraphs to comparative information for reporting periods between the transition date to IFRS 17 and the date of initial application of IFRS 17;
c) at the date of initial application of IFRS 9, apply the transition requirements in IFRS 9.

The introduction of this amendment is not expected to have a significant impact on the Bank's financial statements.

On February 12, 2021, the IASB published "Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8", 2022/357 of March 2, 2022. The amendments seek to improve disclosure of accounting policies in order to provide more useful information to investors and other primary users of financial statements as well as to help entities distinguish changes in accounting estimates from changes in accounting policies. The changes will take effect from January 1, 2023, but early application is permitted. The possible impact of the introduction of the amendments is being evaluated.

On May 7, 2021, the IASB published "*Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*", endorsed with Commission Regulation (EU) no. 2022/1392 of August 11, 2022. The document seeks to clarify how to account for deferred tax on certain transactions that can generate assets and liabilities of the same amount, such as leases and decommissioning obligations. The amendments will take effect from January 1, 2023, but early application is permitted. The possible impact of the introduction of the amendments are being evaluated.

IFRS standards, amendments and interpretations not yet endorsed by the European Union

At reporting date, the competent bodies of the European Union have not yet concluded the process necessary for the endorsement of the standards, amendments and interpretations summarized below.

- on January 23, 2020, the IASB published "*Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*" and on October 31, 2022 published "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The documents seek to clarify how to classify liabilities as current or non-current. The changes take effect from January 1, 2024 but early application is permitted. The possible impact of the introduction of the amendment is being evaluated.
- on September 22, 2022, the IASB issued "*Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16) initially published as ED/2020/4 in November 2020. The amendments clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The changes take effect for annual reporting periods beginning on or after January 1, 2024, with early application permitted. EFRAG issued a positive opinion for its approval in the European Union on January 31, 2023.The possible impact of the introduction of the amendment is being evaluated.
- On January 30, 2014 IASB published the interim standard IFRS 14 – Regulatory Deferral Accounts, which allows only first-time adopters of IFRS to continue to recognize the amounts relating to activities subject to regulated rates ("rate-regulated activities") in accordance with the previous accounting standards adopted. The European Commission has decided not to begin the endorsement process for the interim standard and to await the final version. Since the Company is not a first-time adopter, the provisions of that standard would not be applicable in any case.

SECTION 2: GENERAL PREPARATION PRINCIPLES

The financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, and the notes to the financial statements and the associated comparative disclosures, along with the Report on Operations and the performance and financial position.

The accounts presented in the financial statements correspond to those in the company accounts.

In compliance with Article 5 of Legislative Decree 38/2005, the financial statements use the euro as the reporting currency. More specifically, the schedules for the balance sheet and income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows are drawn up in euros, while the explanatory notes, unless otherwise indicated, are drawn up in thousands of euros. For comparative purposes, the financial statements and, where required, the tables in the explanatory notes also report data for the previous year.

The financial statements have been prepared in accordance with the general principles set out in IAS 1 "Presentation of Financial Statements" and the accounting standards endorsed by the European Commission and described in Part A.2 of these explanatory notes, as well as the general assumptions set out in the Conceptual Framework for Financial Reporting issued by the IASB. No exceptions have been made in applying the IASs/IFRSs.

The financial statements also comply with the following general principles of preparation:

- accrual basis accounting;
- understandability of information;
- materiality of information (relevance);
- reliability of information (faithful representation; prevalence of economic substance over legal form; neutrality of information; completeness of information; prudence in estimation to avoid overestimating revenues/assets or underestimating costs/liabilities);
- comparability over time.

These financial statements have been prepared in accordance with the format and rules for the preparation of bank financial statements set out in Circular no. 262 of December 22, 2005 – 7th update of October 29, 2021, as well as with the Communication of the Bank of Italy of December 15, 2021 – Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy and amendments of the IAS/IFRS, as updated by the Communication of the Bank of Italy of December 21, 2021 "Update of the Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation".

The disclosures in the separate financial statements also take account of the interpretative and support documents for the application of accounting standards with regard to the impacts of the COVID-19 pandemic issued by European regulatory and supervisory bodies and by standard setters during 2020 and 2021, which are more fully discussed in the 2021 financial statements, which readers are invited to consult in this regard, as well as – where applicable – ESMA documents issued during 2022 with specific regard to the Russia-Ukraine crisis and the application of IFRS 17, the contents of which are summarized below.

On March 14, 2022, ESMA published a Public Statement on the impact of the Russia-Ukraine crisis on EU financial markets in which it illustrates the supervisory and coordination activities undertaken and recommends that issuers should provide transparency, to the extent possible on both a qualitative and quantitative basis, on the actual and foreseeable direct and indirect impacts of the crisis on their business activities, exposures to the affected markets, supply chains, financial situation and economic performance in their 2021 year-end financial report and in the annual shareholders' meeting or otherwise in their interim financial reporting disclosures. ESMA published a further Public Statement on May 13, 2022, again with specific reference to the implications of the Russian conflict in Ukraine, with a series of recommendations aimed at promoting the transparency and consistent application of requirements for the information provided in half-yearly financial reports for 2022.

In particular, ESMA underscored the importance of specifying the current and expected impact of the Russian invasion on the financial position, performance and cash flows of entities as well as information on the principal risks and uncertainties to which entities are exposed. Since the war introduces significant scenario uncertainties and, consequently, the possibility of adjustments to the carrying amount of assets and liabilities, ESMA reiterated the importance of updating the assessment made on significant judgments, on the uncertainties to which it is exposed and on the risks for business continuity. It is also necessary to verify whether the effects of the war constitute an indication of impairment of non-financial assets in the event, for example, of a decision to divest investments in areas affected by the conflict. With regard to the impairment of financial instruments, ESMA has focused attention on the effects of the conflict on the assessment of the significant increase in credit risk (SICR) and on the determination of the expected credit loss (ECL) from a forward-looking perspective, highlighting the possibility of using collective assessment in determining the existence of a SICR for the staging of credit exposures (in this regard, reference is made to IFRS 9 B5.5.1, IFRS 9 B5.5.4, IFRS 9 B5.5.5 and IFRS 9 B5.5.18.), if this assessment is difficult on an individual level.

The recommendations contained in ESMA's Public Statements are fully referenced in the documents published by Consob on March 18, 2022 and May 19, 2022.

Given the expected impact and importance of the entry into force of IFRS 17 "Insurance Contracts", in its Public Statement of May 13, 2022, ESMA highlighted the need for issuers, especially in the case of insurance companies and of financial conglomerates, provide relevant and comparable information in their financial statements that enables users to assess the possible impact that IFRS 17. The authority expects its recommendations to be taken into consideration in the preparation of the interim and annual financial statements for 2022. In accordance with the provisions of IAS 1, these separate financial statements have been drawn up on a going-concern basis.

On October 22, 2022, ESMA published the Public Statement "European common enforcement priorities for 2022 annual financial reports" in which it highlighted three main areas of attention for issuers for the purpose of complete and accurate financial reporting:

- climate-related matters and their effects: consider climate-related matters when preparing financial statements to the extent that the effects of those matters are material, even if IFRS Accounting Standards do not explicitly refer to climate-related matters. ESMA notes that the recommendations and requirements regarding climate-related matters included in the 2021 European Common Enforcement Priorities (October 29, 2021) remain relevant (such as the requirements related to significant judgements and estimation uncertainty, useful lives of assets, expected credit losses (ECL) and carbon and greenhouse gas (GHG) emission trading schemes).
- direct financial impacts of Russia's invasion of Ukraine. Again, ESMA refers to the messages provided in May 2022 with the statement addressing the implications of Russia's invasion of Ukraine.
- macroeconomic environment. ESMA observes that the current macroeconomic environment, resulting from a combination of remaining pandemic-related effects, inflation, increase in the interest rates, deterioration of the business climate, geopolitical risks and uncertainties regarding future developments, pose significant challenges to issuers and their operations. ESMA urges issuers to i) assess and reflect the impacts that the macroeconomic environment and uncertainties21 will have on their financial statements (for example, on the issuer's ability to continue as a going concern or the impacts of energy costs on their operations) and ii) provide clear and detailed disclosures to ensure that investors obtain relevant, accurate and timely information.

For more analysis concerning the issues referred to, please see the discussion in the Report on Operations.

Management is not aware of any significant uncertainties, events or conditions that could engender serious concerns about the Bank's ability to continue operating as a going concern in the foreseeable future, also taking account of the cross-guarantee scheme on which the Iccrea Cooperative Banking Group is based, a more detailed discussion of which is provided in the Report on Operations. The uncertainties surrounding the current economic environment, even if they have generated/are likely to generate impacts on the financial statements, do not undermine the going-concern assumption.

In light of this information and these assessments, and with regard to the information provided in Document 2 of February 6, 2009 and Document 4 of March 3, 2010, issued jointly by the Bank of Italy, CONSOB and ISVAP, as updated, the Bank has a reasonable expectation of continuing to operate as a going concern in the foreseeable future and has therefore prepared the financial statements at December 31, 2022 on basis of the going-concern assumption.

Content of the financial statements and the notes to the financial statements

Balance sheet and income statement

The balance sheet and the income statement contain items, sub-items and further information (the "of which" for items and sub-items). Items without values for the reference period and the previous period are not included. In the income statement, revenues are shown without indicating their sign, while cost figures are shown within parentheses.

Statement of comprehensive income

The items concerning other comprehensive income after taxes in the statement of comprehensive income report changes in the value of assets recognized in the valuation reserves. Items without balances for the period and for the previous period are not reported. Negative amounts are presented within parentheses.

Statement of changes in equity

The statement of changes in equity shows the composition and movements of equity accounts during the reference period and the previous period, broken down by share capital (ordinary and savings shares), earnings reserves, capital reserves and valuation reserves for assets or liabilities and the net profit (loss) for the period. The value of any treasury shares is deducted from shareholders' equity.

Statement of cash flows

The statements of cash flows for the present period and the previous period were prepared using the indirect method, under which cash flows from operating activities are represented by the profit (loss) for the period, adjusted for the impact of non-monetary transactions. Cash flows are broken down into cash flows from/used in operating activities, investing activities and financing activities. Cash flows generated during the period are shown without a sign, while those used are shown within parentheses.

Content of the notes to the financial statements

The explanatory notes to the financial statements include the information required by international accounting standards, using the tables provided for in Bank of Italy Circular no. 262/2005 – 7th update of October 29, 2021, as well as with the Communication of the Bank of Italy of December 15, 2020 – Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of Covid 19 and the measures to support the economy and amendments of the IAS/IFRS, as updated by the Communication of the Bank of Italy of December 21, 2021 "Update of the Supplement to the provisions of Circular no. 262 "Bank financial statements: formats and rules of preparation" concerning the impact of COVID-19 and the measures to support the economy.

SECTION 3 –EVENTS SUBSEQUENT TO THE REPORTING DATE

In the period between the reporting date of the financial statements and their approval by the Board of Directors on March 31, 2023, with the exceptions indicated below, no events occurred that would entail a modification of the financial data approved at that meeting.

SECTION 4 – OTHER MATTERS

Consolidated tax mechanism option

Iccrea Banca S.p.A. and the Group subsidiaries belonging to the so-called “direct scope” (the former Iccrea Banking Group) have adopted the “consolidated tax mechanism”, governed by Articles 117-129 of the Uniform Income Tax Code (“TUIR”), introduced with Legislative Decree 344/2003. It consists of an optional tax regime under which total net income or the tax losses of each subsidiary taking part in the tax consolidation –along with withholdings, deductions and tax credits – are transferred to the parent company. Only one taxable income or tax loss that can be carried forward (the algebraic sum of the parent company’s and its participating subsidiaries’ income/losses resulting in a single tax payable/receivable) is calculated and attributed to the parent company. Under this option, the Group companies that participate in the consolidated tax mechanism calculate their tax liabilities and the corresponding taxable income, which is transferred to the parent company. If one or more subsidiaries reports negative taxable income, the tax losses are transferred to the parent company when there is consolidated income for the period or a high probability of future taxable income.

Risks and uncertainties associated with the use of estimates

In conformity with the IAS/IFRS, management is required to formulate accounting estimates that can impact the values of the assets, liabilities, costs and revenues recognized in the separate financial statements. The formulation of these estimates is based on prior experience, available information, the adoption of assumptions and subjective judgements.

Estimation processes were used to support the carrying amount of some of the largest items recognized in the consolidated financial statements, such as:

- the verification of compliance with the requirements for classifying financial assets in the accounting portfolios that adopt the amortized cost criterion (SPPI test), with particular regard to the performance of the benchmark test;
- the quantification of impairment losses on loans and, more generally, other financial assets;
- the assessment of the appropriateness of the value of equity investments and other non-financial assets;
- the use of valuation techniques in the recognition of the fair value of financial assets not listed on active markets;
- the estimation and assumptions concerning the recoverability of deferred tax assets;
- the determination of discount rates for lease liabilities;
- the quantification of provisions for personnel and provisions for legal and tax risks and charges.

In determining the recoverability of the carrying amount of the most significant items in the financial statements mentioned above, the Bank referred to the 2022-2024 forecasts drawn up in line with the guidelines dictated by the strategic ambitions set out in the Group’s corporate strategic plan 2023-2025.

The description of the accounting policies applied to the main financial statement aggregates provides the information necessary to identify the main assumptions and subjective assessments used in the preparation of the financial statements.

In particular:

- for allocation to the three stages of credit risk provided for under IFRS 9 of loans and debt securities classified under financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income and the associated calculation of expected losses, the main estimates regard the determination of the parameters representing a significant increase in credit risk, the inclusion of forward-looking factors in determining PD, EAD and LGD and the determination of future cash flows from impaired loans;
- for the quantification of provisions for risks and charges, the estimation of the amount of outlays necessary to discharge liabilities, taking account of the effective probability of having to employ resources to do so.

For further information concerning the composition and associated carrying amounts of the items affected by these estimates, please see the specific sections in the notes to the financial statements.

By their nature, estimates may vary from year to year and it cannot be ruled out that in subsequent years the current values recorded in the financial statements may differ significantly as a result of changes in the circumstances on which they were based, the availability of new

information or the acquisition of greater experience. In particular, taking account of the high uncertainty attributable to i) the evolution of the Russia-Ukraine conflict, ii) the resurgence of the COVID-19 pandemic¸ iii) the acceleration in inflation fueled, as early as 2021, by the rise in the prices of energy goods and bottlenecks in distribution chains, which was accentuated in 2022 following the outbreak of the aforementioned conflict, and also taking account of the related impact on uncertain macroeconomic scenarios, it is not possible to rule out the possibility of needing to review the estimates of financial statement items in 2023 in the light of any new information that will become available.

More detailed information on the main issues and variables in the market is contained in the Report on Operations.

The main subjective judgments made by management in assessing the impact of the COVID-19 pandemic are summarized below.

The quantification of impairment losses on receivables

During 2022, with regard to IFRS 9 measurements, the Bank maintained a particularly prudent approach in estimating impairment losses, as possible upsurges in the COVID-19 pandemic could not be definitively ruled out, also taking due account of the adverse effects on the global and Italian economy linked directly or indirectly linked to the Russia-Ukraine conflict.

On the occasion of the closure of the financial statements at December 31, 2022, the measures carried out as part of the multi-year Credit Risk Models Evolution (CRME) were completed for the purposes of calculating the IFRS 9 impairment of the Group's performing credit exposures.

In particular, the following have been finalized:

- updating the Probability of Default (PD) models, which hinges on the development of the new version of the internal rating system (AlvinRating 6.0) through the introduction of the single behavioral model at Group level, with the associated re-estimation of the PDs and updating of the rating scale;
- development of "block" LGD models, including the parameters necessary for appropriate quantification in the accounts, based on the combination of parameters connected, respectively, with the pre-litigation phases (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan);
- replacement of the "PD Satellite Models" with models developed internally using the most advanced methodologies available. This evolution enables the Group to internalize the models, reducing dependence on an external supplier of the macroeconomic scenarios and, at the same time, to respond more quickly and with greater precision to the constant demand for in-depth analysis generated by the delicate and changing macroeconomic environment we are currently experiencing;
- updating of the "LGD Satellite Models" to take appropriate account of the reconstruction and updating of the historical databases of position recoveries;
- evolution of the forward-looking conditioning framework for PD, using the Merton-Vasicek methodology.

The methodological modifications referred to above and the associated parameter estimation activities performed in 2022 were also accompanied by conservative adjustments, defined as In-Model Adjustments, intended to both address any weaknesses still present in the models and avoid the incorporation of possible distortions created by the pandemic (such as, for example, default flows that did not emerge in 2020 and 2021).

Finally, other specific interventions on the IFRS 9 impairment framework were implemented with regard to the quantification of an overlay to ensure greater prudence in respect of the uncertainty surrounding the current macroeconomic situation.

Moratoriums

Since the beginning of the COVID-19 health emergency, the Bank has adopted an articulated series of measures aimed at facilitating a prompt response to customer needs, working promptly in acknowledging and, where necessary, adapt to the initiatives undertaken by the various national and European Authorities, with the aim of facilitating as much as possible the timely activation of the support measures gradually defined. In this context, they:

- streamlined loan-origination processes and the acceptance of applications by customers given the exceptional nature of this period, while also preserving the principle of sound and prudent credit management;
- applied the exceptions to the Group policies defined by the Parent Company, on a temporary basis and limited to the lending operations falling with the scope of application of the measures envisaged in government decrees in this area, by ABI moratoriums and by initiatives taken by the Bank on its own;
- enhanced the constant monitoring and control of the measures granted;
- maintained and reinforced the principle of the separation of roles as governed by Group policies with regard to the granting and execution of credit and the close observation of borrowers who had already shown anomalies prior to the pandemic, while assessing the resilience of exposures and the validity of the management strategies undertaken.

The tolerance regime envisaged by the EBA regarding the classification of exposures involved in legislative and non-legislative moratoriums as forborne was promptly incorporated, based on the criteria specified in the guidelines issued on the subject by the EBA.

At December 31, 2022 the additional credit intervention measures adopted involved a total of 257 applications for an overall amount equal to about €195,026 thousand. Loans granted in response to these applications totaled about €73,283 thousand.

New lending under Article 13 of the Liquidity Decree

	Number	Amount approved €/thousands
Applications received	257	195,026
Loans granted	97	73,283
% loans granted	37.74%	37.58%

"MIBLE" operation: non-recourse assignment and/or contribution to an alternative investment fund (AIF) of a portfolio of bad loans and UTP positions

During the last quarter of 2022, Iccrea Banca organized and coordinated a derisking operation called "Mible", in which it also participated as transferor, based on a multi-originator competitive procedure involving the transfer without recourse and/or the contribution to an investment fund (FIA) of a set of loan portfolios classified as bad loans or unlikely-to-pay positions held by various entities belonging to the Group, in addition to Iccrea itself, which received a specific engagement from the participants to manage the procedure.

The portfolio identified by the Bank as part of the procedure consisted of 12 loans classified as bad loans and unlikely-to-pay positions representing, at June 30, 2022 (the initial cut-off date, as detailed below) an aggregate credit claim of €11.1 million. The gross book value and the net book value of the portfolio at December 31, 2022 were equal to €10.7 million and €2.6 million, respectively.

The total aggregate portfolio of all the participants is made up of loans to 2,788 counterparties classified as bad loans or unlikely-to-pay positions held by 71 Group banks, representing an aggregate credit claim of €31.8 million. The gross book value and the net book value of the total aggregate portfolio at December 31, 2022 are respectively equal to €320 million and €116.9 million.

On December 30, 2022 – following the approval of the associated resolutions by the boards of directors - the Parent Company, Iccrea, acting on the basis of the authority granted to it, accepted binding offers from AMCO S.p.A. and Sagitta Sgr/Intrum. It consequently notified the Banks participating in the transaction of the prices for the purposes determining the effects of the transaction on the financial statements at December 31, 2022, which for the Bank amounted to €1.7 million for the non-recourse assignment and €1.4 million for the contribution to the AIF.

The finalization of the transaction, with legal transfer of the claims to the transferee, is expected to occur by the end of the first quarter of 2023.

"WAARDE" operation: non-recourse assignment of a portfolio of bad loans and UTP positions

On June 10, 2022, the Board of Directors had originally approved the participation in a multi-originator securitization of bad loans, with the possible submission of an application to the Ministry for the Economy and Finance (MEF) to obtain, if it should be renewed, a State guarantee on liabilities issued as part of securitization transactions for bad loans (a "GACS" scheme), granting a specific engagement to the Parent Company, Iccrea Banca, to act as the arranger of the transaction.

As part of the resolution, it was specified that if the GACS scheme was not renewed within the expected time frame of the transaction, the sale of the portfolio of bad loans covered by the engagement would in any case be completed in such a manner as to ensure deconsolidation and maximization of the financial result from the disposal of the portfolio.

The portfolio identified by the Bank consisted of loans to 23 counterparties classified as bad loans representing an aggregate credit claim of €13.7 million at the cut-off date. The gross book value and net book value of the portfolio at December 31, 2022 were €12.5 million and €2.1 million, respectively.

The aggregate portfolio at the consolidated level consisted of loans to 2,104 counterparties classified as bad loans held by 34 Group banks with an aggregate credit claim of €149.4 million at the cut-off date. The gross book value and the net book value of the overall portfolio at December 31, 2022 were equal to €140.5 million and €29.9 million, respectively.

In order to pursue the interests of the transferor banks, given the non-renewal of the GACS within the time frame for the closing of the transaction, the Parent Company launched a multi-originator competitive procedure (called "Waarde") for the assignment without recourse pursuant to Article 58 of the Consolidated Banking Act. Following the scouting of potential investors and the analysis of the binding offers received, AMCO - Asset Management Company S.p.A. ("AMCO") was selected as the winner of the tender. The price for the Bank's portfolio is equal to €2.3 million. The sale is expected to be finalized by the end of the first quarter of 2023.

Given the irrevocable nature of the offers selected, IFRS 5 applies to the portfolios in both of the transactions referred to above. That standard establishes that a non-current asset or a group of assets held for sale shall be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

With regard to the transactions in question, all the conditions required by the standard to qualify the sale as highly probable (summarized below) have been met:

- the Board of Directors is committed to a plan to sell the asset;
- an active program to locate a buyer and complete the plan has been initiated;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value;
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

With regard to the qualification of IFRS 9 financial assets as non-current assets (therefore falling within the scope of application of IFRS 5), the Basis for Conclusions of IFRS 5, paragraph BC11, envisage the following case "in relation to assets presented in accordance with a liquidity presentation, the Board decided that non-current should be taken to mean assets that include amounts expected to be recovered more than twelve months after the balance sheet date".

In accordance with that standard, portfolios of non-performing loans for which the amounts due go are expected to be recovered in more than 12 months can be classified as non-current assets and, therefore, having met the other requirements envisaged by IFRS 5, can be classified under assets held for sale.

Financial assets falling within the scope of IFRS 9 - such as the loans involved in the aforementioned transactions - are exempted from the application of the measurement criteria of this standard even when they must comply with the classification and presentation criteria envisaged by IFRS 5. Consequently, in application of the measurement criteria pursuant to IFRS 9, the carrying amount of the individual positions subject to reclassification as assets held for sale was adjusted, regardless of sign, to the sale price negotiated with the counterparty.

Accordingly, pursuant to IFRS 5 and in line with the Group's accounting policies, the Bank i) recognized under line item 130 the writebacks/writedowns deriving from the difference between the net carrying amount of the portfolios involved and the price determined with the counterparty, as specified above, in the total amount of €0.7 million in writebacks and ii) classified the loans involved in the transactions under non-current assets held for sale in the balance sheet, in the total amount of €5.4 million.

Securities obtained against assets transferred in non-cash transactions

In compliance with applicable accounting standards and the guidelines set out in Document no. 8 of the Bank of Italy, CONSOB and IVASS coordination group, investment fund units acquired in return for the transfer of impaired loans (bad loans or unlikely-to-pay positions), having verified the absence of any obligation to consolidate the fund and the possibility of derecognizing the transferred loans (given failure to pass the SPPI test) are classified as instruments measured at FVTPL.

For the purposes of determining the fair value of these instruments, both at initial recognition and in subsequent measurement, the analysis of cash flows, the discount rates applied and the other assumptions adopted are consistent with the characteristics of the impaired loans transferred. Finally, if the NAV calculated by the fund does not represent a fair value measure in compliance with the provisions of IFRS 13, the Bank uses its own valuation policies and, where necessary, applies liquidity discounts to the NAV of the units held.

Impairment testing of equity investments

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

Probability testing of DTAs

DTAs other than those referred to in Law 214/2011 are recognized to the extent that their recovery is probable. This probability was assessed using the probability test on the basis of the ability of the companies participating in the tax consolidation mechanism (the companies in the direct scope of consolidation) to generate positive taxable income.

The tests conducted on the basis of the projections for expected profitability prepared by the competent units of the Parent Company indicate the tax consolidation mechanism will be able to absorb all recognized DTAs by 2027, even those for which reversal is expected beyond the observation period.

Rights of use in leases

Similarly to the treatment of assets owned outright, IFRS 16 specifies that the right-of-use assets acquired through leases must undergo testing to ascertain if there is evidence that they have incurred an impairment loss. If so, the carrying amount of the asset is compared against its

recoverable amount, which is equal to the greater of the fair value and the value in use - the latter understood as the present value of future cash flows originating from the asset. Any adjustments are recognized through profit or loss.

In assessing whether there is any indication that an asset may be impaired, IAS 36 requires an entity to consider the following:

- internal sources of information, such as signs of obsolescence or physical damage of an asset, restructuring plans and closures of branches;
- external sources of information, such as the increase in interest rates or other market rates of return on investments that could cause a significant decrease in the recoverable amount of the asset.

As of 31 December 2021, the Bank had checked developments in the rates used to discount lease payments and the presence of unused leased properties.
At the reporting date, there was no evidence of a deterioration in the recoverable value of the right-of-use assets recognized in respect of leases.

Use of valuation models in the determination of the fair value of units held in unlisted investment funds

With regard to units held in unlisted investment funds, specific project was carried out under the coordination of the Parent Company to determine the liquidity discount ("liquidity adjustment") to be applied to the net asset value (NAV) of the unlisted funds held by the entities in scope.

In this regard, the methodological approach adopted provides for consideration, in line with market best practice, of the following main elements:

- the average holding period of the individual unlisted funds, before they can be realized;
- the characteristics of the individual assets held by the fund and their volatility in the holding period (degree of uncertainty);
- the level of risk aversion specified with a prudent threshold, which for a distribution of the possible returns/final value of the asset/portfolio considered makes it possible to measure any deviation from their expected value.

The consideration of this information in the methodological approach used made it possible to estimate a discount with respect to the NAV, calculated as a percentage adjustment of the risk premium linked to the uncertainty concerning potential unfavorable changes in value before realization, taking due account of the management costs of funds not incorporated in the NAVs of the individual unlisted funds.

Government securities

The current environment of uncertainty has had a marginal impact on the valuation of our holdings of debt securities, which as at December 31, 2022, had registered only modest changes. Note that the management of our own portfolio of debt securities classified in the "held to collect" (HTC) and "held to collect and sell" (HTCS) portfolios has not changed compared with previous years and no changes were made to the business models.

For prudential purposes, the filter pursuant to art. 468 of the CRR, which for the purpose of calculating regulatory own funds, enabled the sterilization of 40% of the fair value delta registered on securities held under the HTCS business model.

Targeted Longer -Term Refinancing Operations (TLTRO) with the ECB

Loans under TLTRO III program are variable rate loans, indexed to ECB rates, with a reward mechanism for determining the final rate applicable to each operation based on the achievement of certain performance objectives for eligible loans in the period April 1, 2019 - March 31, 2021. Interest is settled in arrears. Achievement of the performance targets are notified by the Bank of Italy to the participating banks.

The financial terms applicable to loans under the TLTRO III program have been modified by the ECB on several occasions, as discussed in in the reports on operations accompanying these and the previous financial statements, which readers are invited to consult for further information.

The operation essentially has the following financial structure:

- it is a floating-rate transaction indexed to the rate on main refinancing operations (MRO), which is the base rate for the main refinancing operations of the ECB, and can be modified by the ECB during the term of the loans;
- in its basic structure it has a spread of -50 bps in the so-called "special interest rate period" from June 24, 2020 to June 23, 2021 and an "additional special interest rate period" from June 24, 2021 to June 23, 2022;
- in the event of achievement of the target for the "special reference period" (from March 1, 2020 to March 31, 2021) and the "additional special interest rate period" (from October 1, 2020 to December 31, 2021), the structure of the transaction changes as follows:
  - the benchmark rate becomes the rate on the ECB's deposit facility (DF), currently -50bp, which can be modified by the ECB during the term of the loans;
  - for the "special interest rate period" and the "additional special interest rate period" a cap of -1.00% is applied to the final rate (deposit facility rate – 50bp);
- in the event the target for the "special reference period" is not achieved, three different mechanisms will be applied depending on achievement of the secondary objective (growth of 1.15% between April 1, 2019 and March 31, 2021);
- in the event the target for the "additional special reference period" is not achieved*:*
  - for the first 7 auctions from June 23, 2021, the rate provided for the three different levels of growth in eligible lending in the period between April 1, 2019 and March 31, 2021 will be applied;
  - for the subsequent 3 auctions, the average MRO rate will be applied for the entire term of the loan, with the exception of the additional special interest rate period (June 24, 2021 – June 23, 2022), during which the average MRO rate less 50 basis points will be applied.

The final rate applicable to each transaction is therefore influenced by three factors:

- the average rate applicable to the ECB's main refinancing operations, or in case of positive performance, the average deposit facility rate, currently equal to – 0.50%, which can be modified by the ECB during the term of the respective loans, and the rate for the period from November 23, 2022 until maturity;
- a fixed spread, in favor of Iccrea Banca, equal to 4.5 bp, which can be reduced or reset to zero under certain conditions;
- the possible performance of the TLTRO Group as a whole and the individual performance of each mutual bank.

The final rate applicable to each transaction is therefore equal to the sum of:

- the weighted average of the ECB's MRO or DF rate;
- the fixed spread;
- any performance achieved.

On September 10, 2021, the Bank of Italy announced that the target for the special reference period had been achieved. Accordingly, for the funding obtained in the first 7 auctions for the period from June 24, 2020 to June 23, 2021 the rate of -1% (DF rate + spread of –0.5%) is definitive.

The rates for the additional special interest rate period have announced by the Bank of Italy on June 10, 2022, confirming that the target for that period had also been achieved.

On October 27, 2022, the ECB again amended the conditions applicable to the TLTRO III program to ensure consistency with the monetary policy normalization process, helping to address the unexpected and extraordinary increase in inflation.

From November 23, 2022, the rate applicable to transactions still outstanding is indexed to the reference interest rate applicable during this period, maintaining the previous rules for the earlier periods with the application of an average rate for the period.

In the light of the ECB's changes in the interest rate applicable to TLTRO funding and as a consequence of the method of calculating interest, the directors deemed it appropriate, in accordance with the provisions of paragraph 3.3.2 of IFRS 9, as at 23 November 2022, to derecognize

the financial liability in question, since the aforementioned interventions by the ECB can be considered as substantial modification of the contractual terms, and therefore to re-recognize the item in accordance with the new lending terms and subsequent valuation in compliance with paragraph B.5.4.5 of IFRS 9.

Interest rate benchmarks – Benchmark Regulation (BMR)

On the basis of the new regulatory framework defined by Regulation (EU) no. 2016/1011 of the European Parliament and of the Council of June 8, 2016 (the "Benchmarks Regulation – BMR"),[27] the European Money Market Institute - EMMI - the administrator of the EURIBOR and EONIA indices, concluded that none of the benchmarks it administers was compliant with the BMR. Consequently, it was decided to:

- move ahead with the progressive replacement of the EONIA rate with another overnight benchmark published by the ECB (€STR);
- modify the methodology used to calculate EURIBOR by adopting a hybrid approach that combines transaction data with expert judgement.

On July 2, 2019, the Financial Services and Markets Authority (FSMA), the competent authority for the supervision of the EMMI, announced that it had completed assessment the adjustments made to the governance and methodology underlying the calculation of EURIBOR, finding them compliant with the provisions of the BMR and therefore authorized the EMMI to continue its administration of that index in full compliance with the aforementioned regulatory provisions, thereby certifying compliance.

As part of this regulatory and market framework, in July 2019 the ECB sent the banks a communication seeking information on the actions taken or under way to address the global interest rate reform, to which the Parent Company Iccrea Banca replied for the entire Iccrea Cooperative Banking Group, providing both a qualitative assessment of the exposure to the various IBORs (EONIA, EURIBOR and LIBOR), and a qualitative evaluation of the impacts on specific issues. The same request, with a new information set, was made by the authorities in November 2020 and Iccrea Banca responded last January with disclosures on the Group's operations as at 30/09/2020 indexed to benchmark rates (IBOR and RFR) and on the progress of the BMR project.

Following the preliminary analysis conducted in order to respond to the first ECB request for information, the Parent Company launched an assessment in January 2020, which was completed in July with:

- the identification of the areas of intervention necessary to ensure compliance with the new regulations, with particular regard to IBOR rates (i.e. EONIA, EURIBOR and LIBOR), in the Product & Strategy, Legal & Documentation, Risk & Analytics, Finance & Accounting areas;
- the definition of a masterplan of the interventions to be implemented by December 2021 in order to manage the transition.

In the finance area, the expected impact of the benchmark rate reform on the Bank mainly concerns transactions in OTC derivatives in euros subject to netting, which are carried out for hedge accounting purposes and can be summarized as follows:

- the definition and modification of valuation models for derivatives and hedged items;
- any additional ineffectiveness resulting from those changes;
- any hedging relationships to be discontinued due to test failure;
- modification of the measurement procedures.

The BMR underwent extensive analysis to determine the business processes affected and develop the consequent action plan. An activity program was launched to formulate and incorporate fallback clauses in the various commercial and financial contracts. With regard to the finance area, and in particular OTC derivatives transactions carried out with market counterparties, the entire contractual framework was revised by adopting the new ISDA Master Agreement (ISDA) protocol and implementing the corrective actions envisaged to manage the transition. Significant activities, for example for operations in euros, include a revision of the overnight discount curve (which for this currency was the EONIA curve) used as part of collateral management activities envisaged in the contractual documentation supplementing ISDA contracts, notably Credit Support Annexes (CSAs) at the supervised intermediary level.

Following the discontinuation of EONIA as of January 3, 2022, the Bank initiated renegotiations with the counterparties in outstanding CSAs, primarily opting to use the €STR Flat discount curve (€STR Discounting).

The transition from EONIA Discounting to €STR Discounting, given the EONIA equivalence of €STR+8.5 bps, involved a parallel variation of 8.5 bps in the discount curve, with an impact on the measurements (MTM) of financial instruments held at the date agreed for the transfer with the individual counterparty.

For the purposes of the change in MTM described above, a cash compensation methodology was used, i.e. offsetting the change in the value of positions through a cash settlement.

[27] The regulation set out the new regulatory framework governing the benchmark rates EURIBOR, LIBOR and EONIA, aligning market indices and the methodology with which they are calculated with international principles in order to ensure the integrity of the reference parameters used in the euro area (including benchmark interest rates), reducing the scope for discretion, improving governance controls and addressing conflicts of interest.

Scope of risks and progress towards completion of the transition

With specific regard to operations in euros, the Bank has adopted the ISDA 2021 EONIA Collateral Agreement Fallbacks Protocol in order to manage the entry of the new index. The transition from EONIA to the new €STR was managed by calculating EONIA as equal to the new €STR plus a spread of 8.5 bp.

In order to ensure effective management of the transition to the new market parameters, given that adoption of the Protocol does not prejudice the finalization of bilateral agreements with market counterparties, in 2021 the Bank has begun a review of CSA contracts mainly providing for the use of €STR Flat instead of EONIA Discounting.

Since most of the quotations of "LIBOR" benchmark rates have no longer been available since January 1, 2022, the Banking Group has adopted the “IBOR ISDA fallback rates” for GBP, JPY, CHF and USD as substitutes for LIBOR. These rates, which comply with the Benchmarks Regulation, are determined by Bloomberg on behalf of the ISDA and are published daily on Bloomberg's FBAK page.

In this regard, the new risk free rates available on the market (SONIA, TONAR, SARON and SOFR) within the various currency areas are overnight rates determined daily on the basis of transactions conducted on the money market, whereas the various LIBOR rates, which have been terminated, instead had a range of maturities. Obtaining replacement rates for LIBOR with a term of more than one day, starting from one of the aforementioned risk-free overnight rates, can adopt two different approaches: backward-looking or forward-looking.

In the specific case, the IBOR ISDA fallback rates available for maturities longer than one day are of the backward-looking type, i.e. they are calculated on the basis of the values of the risk-free rates actually registered in a given time interval, which constitutes the observation period.

Specifically, the IBOR ISDA fallback rates are calculated as the sum of:

- each of the above risk-free rates, as recorded and capitalized daily over a period of time consistent with the maturity considered (1 month, 3 months, 6 months, etc.). In other words, for each risk free rate, the geometric mean is calculated for the observation period considered;
- the spread adjustments calculated, within the framework of the ISDA protocol, as the average of the differences observed, over a time horizon of 5 years, between each IBOR and the related overnight rates.

As regards the issue of contractual fallback language and the clauses necessary for informing customers of decisions regarding the benchmark indices, the Parent Company Iccrea has drafted a standard fallback clause which has been incorporated into existing MCD and CCD contracts, sending customers a specific notice of the change, and been integrated into standard contracts for new customers, in line with the mechanism envisaged under the BMR regulations. Contracts with non-consumer counterparties have long contained a specific clause concerning the management of changes affecting the benchmarks.

Quantitative information on non-derivative financial assets and liabilities and derivative instruments that have yet to switch to an alternative benchmark rate at the end of the reporting period, disaggregated by the benchmark for determining interest rates, is provided below:

(€/thousands)	Non-derivative financial assets	Non-derivative financial liabilities	Derivatives
	Carrying amount	Carrying amount	Notional value
BENCHMARK			
EONIA	50	-	-
- of which Intercompany	-	-	-
EURIBOR 1 M	6,833	-	11,218,175
- of which Intercompany	-	-	*5.473,700*
EURIBOR 3 M	5,126,108	4,737,894	2,234,882
- of which Intercompany	*2,773,646*	*3,841,372*	*955,689*
EURIBOR 6 M	1,779,147	1,938,356	22,488,201
- of which Intercompany	*175,711*	*756,274*	*7,113,791*
LIBOR USD	-	-	67,000
- of which Intercompany	-	-	-
Other	33,24	715,010	374,100
- of which Intercompany	-	*83,673*	-
Total	**6,945,380**	**7,391,260**	**36,382,358**

Purchase of tax credits

Among the urgent measures deployed in response to the COVID 19 pandemic and to support the real economy, Decree Law 18/2020 (the "Cure Italy Decree") and Decree Law 34/2020 (the "Revival Decree") introduced specific tax incentives into Italian law in the form of tax credits. In view of the economic substance of these transactions, their accounting treatment is based - by analogy and where applicable - on the provisions of IFRS 9 on financial instruments.

More specifically, at the time of initial recognition, the tax credit is recognized at the purchase price – comparable to a Level 3 fair value, given that there are no official markets or comparable transactions - satisfying the condition established under IFRS 9 according to which financial assets and liabilities must be initially recognized at fair value. Subsequent measurement of these assets during the acceptance of the tax credit in the "tax box", the Bank determines which business model it intends to use to classify the individual tax credit purchased:

- HTC, i.e. credits acquired for the purpose of holding them to offset against tax liabilities;
- HTCS, i.e. credits acquired for the purpose of holding them either to offset against tax liabilities or to sell them;
- Other, i.e. credits purchased for the purpose of re-transferring them.

For credit designated as being held under an HTC business model, referring to the rules under IFRS 9 regarding financial assets at amortized cost and considering i) the time value of money; ii) the use of an effective interest rate and iii) the use of tax credits through offsetting, the original effective interest rate is determined such that the discounted cash flows associated with the estimated expected future offsets over the expected life of the tax credit - also taking account of the fact that the unused tax credit in each offsetting period cannot be recovered - equal the purchase price of the tax credits. With regard to the use of amortized cost, IFRS 9 requires the periodic review of cash flow estimates and the adjustment of the gross carrying amount of the financial asset to reflect the actual and restated cash flows. In making these adjustments, in compliance with paragraph B5.4.6 of IFRS 9, the new cash flows are discounted at the original effective interest rate. Accordingly, if - during the offsetting period - it is necessary to reformulate the initial estimates regarding the use of the tax credit through offsetting or the actual offsets differ from those assumed, the Bank adjusts the gross carrying amount the tax credit (restated on the basis of the present value of the restated estimates/actual uses of the tax credit, discounted at the original effective interest rate) to properly reflect the use of the tax credit.

In the fourth quarter of 2022, the Bank adopted a business model that envisages possible periodic sales of part of the portfolio (credits not already designated for transfer at the time of purchase but forming part of purchases made as part of such a business strategy) to free up the tax capacity necessary to support the purchase of new credits and respond to the demands of customers. Credits purchased under this new management model were designated as held under the HTCS business model, with consequent measurement at FVOCI.

Tax credits classified under the HTCS business model are measured at fair value. In any case, the IRR (and, consequently, the amortized cost) is calculated for these credits in order to obtain the correct amount of interest at each reporting date with which to offset the fair value delta in equity through profit or loss. Interest income is recognized through profit or loss in the same manner as credits at amortized cost. Changes in fair value are initially recognized through OCI. When the tax credit is cancelled, the changes in fair value previously recognized through OCI and accumulated in equity are taken to profit or loss.

Given the proximity of the purchases made and recorded on the basis of this business model at the reporting date, no valuation effects were recognized in OCI.

Tax credits acquired for the purpose of re-transfer are classified under the Other business model. This occurs when the purchase was made

as part of or for the purposes of a re-transfer agreement. Accordingly, no offsetting takes place for credits classified here (except in exceptional cases, as specified below). Tax credits classified under the Other business model are measured at fair value.

Covered bonds

The Bank participated as an Originator in an issue of covered bonds (guaranteed bank bonds) conducted by the Group in 2021 and 2022.

As part of this multi-originator transaction, each participating bank sold high quality assets to a vehicle. The assets were of a quality such as to serve as collateral for the guarantee issued by the vehicle to the subscribers of the covered bonds issued under the program. At the same time, the banks granted the vehicle a subordinated loan (the CB Loan) to fund the purchase of those assets, the repayment of which is linked to the performance of the asset portfolio transferred to the vehicle. Following the sale, the Parent Company issued the covered bonds backed by the aforementioned guarantee. Subsequently, the Parent Company granted a loan with conditions and characteristics consistent with those of the covered bonds issued to the affiliated banks that contributed the assets to be sold.

Under the transaction structure, the Vehicle, making use of a non-Group custodian, receives from the Originator the cash flows represented by the loan payments it collects, the principal amount of which it retains, returning the interest portion to the Originator as remuneration of the loan received. Periodically, the cumulative loan principal collections on the assets forming the cover pool are used to purchase other high credit quality assets from the Originator. The Originator bank undertakes to maintain the credit quality of the cover pool over the course of the transaction. In the event of a deterioration in credit quality, it will repurchase the loans involved from the Vehicle and transfer new high credit quality assets in an amount suitable to replenish the original guarantee.

Very briefly, in addition to the multi-originator profile of the parties transferring the assets that form the cover pool, the transaction is characterized by the identity of the originator bank and the bank granting the vehicle the subordinated loan to purchase the assets. The subordinated loan from the Originator to the Vehicle to finance the purchase of receivables qualifies as a limited-recourse loan, as the repayment and return are conditional on developments in the cover pool. From a substantive point of view, the assignor/lending bank therefore remains exposed to the risk of the assets pledged as collateral as if the transfer had not taken place. It are also required to replenish the guarantee if the quality of the assets deteriorates and their value falls below the thresholds specified in the contractual arrangements.

Taking account of the role played in the transaction and the corresponding risk profiles, as a result of the sale the Bank loses legal title to the assets making up the cover pool. However, those assets continue to be recognized for accounting and financial reporting purposes (as well as for supervisory reporting and prudential purposes) since they do not pass the derecognition test because the assignors retain exposure to the risks and rewards of the assets through the grant of the subordinated limited-recourse loan to the vehicle (in compliance with the provisions of paragraphs 3.2.15 and B3.2.1 of IFRS 9). Accordingly, the Bank continues to apply the ordinary accounting treatment adopted prior to the sale to the transferred assets and recognize a receivable due from the vehicle for the principal amounts collected from the transferred borrower and consequently retroceded to the vehicle. The Bank also recognizes a fictitious financial liability against the consideration received for the sale, disburses the subordinated limited-recourse loan to the Vehicle (which is offset against the fictitious liability for the purposes of presentation in the financial statements), performs the periodic measurement of the offsetting receivables through profit or loss, recognizes the costs of the transaction through profit or loss and recognizes under guarantees granted both the obligation to restore the assets transferred to the Vehicle in the event of impairment, and – given that these are "multi- originator" transactions - its exposure arising from the joint and several nature of the obligation to cover losses that may arise on the assets transferred.

Other issues

The separate financial statements have been audited by Mazars Italia S.p.A. which was engaged for this purpose for the period 2021-2029 in execution of the shareholders’ resolution of May 28, 2021.

A.2 – THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section sets out the accounting policies adopted in preparing the financial statements. The presentation of these accounting policies is broken down into stages – classification, recognition, measurement and derecognition - for the various asset and liability items. A description of the impact on profit or loss, where material, is provided for each stage.

Classification of financial assets

Financial assets are classified in the categories envisaged by IFRS 9 on the basis of both of the following elements:

- the business model used to manage the financial assets;
- the characteristics of the contractual financial flows of the financial asset (the "SPPI test" - *Solely Payments of Principal and Interest*).

If the business model is identified as hold to collect and the asset passes the SPPI test, the asset is recognized at amortized cost (AC).

If the business model is identified as hold to collect and sell and the asset passes the SPPI test, the asset is recognized at fair value through other comprehensive income (FVTOCI).

Finally, if the business model differs from those specified above or the asset does not pass the SPPI test in both of the two previous cases, the asset is recognized at fair value through profit or loss (FVTPL).

The business model

IFRS 9 identifies three different business models, which in turn reflect the ways in which financial assets are managed:

- "Hold to collect": this includes financial assets held with the objective of collecting contractual cash flows, retaining the financial instrument to maturity, with the exception of sales permitted under Group policies in line with IFRS 9;
- "Hold to collect and sell": this includes financial assets held with the aim of both collecting contractual cash flows over the life of the assets and the proceeds from the sale of those assets;
- "Other": this is a residual business model that includes financial instruments that cannot be classified in the previous categories, mainly represented by financial assets held for the purpose of generating cash flows through sale.

The business model does not depend on management's intentions for each individual instrument, but is determined at a higher level of aggregation. It is therefore possible for an entity to adopt more than one business model in managing financial instruments, including in respect of the same financial asset. For example, a tranche of a security could be purchased as part of a hold to collect business model, while a second tranche of the same instrument could be acquired both to collect the contractual cash flows and to sell it (HTCS). The assessment of which business model has been adopted is based on reasonably possible scenarios and not on scenarios that unlikely to occur (such as "worst case" or "stress case" scenarios), taking account, among other things, of the way in which:

- the performance of the business model and the assets at initial recognition are evaluated by key management personnel;
- risks that impact the performance of the business model and the assets involved in initial recognition are managed;
- the managers of the business are remunerated.

From an operational point of view, the Bank identifies the business models used to manage financial assets in accordance with its own judgment, as governed by internal rules. The assessment is not determined by a single factor or activity, but rather by considering all the relevant information available at the assessment date, ensuring ongoing consistency with strategic and operational planning. In this sense, the business models of the Iccrea Group are identified on the basis of the granularity of the portfolio and the level of definition of the business, identifying key managers in accordance with the provisions of IAS 24, the nature of the products and type of underlying asset, the methods for evaluating performance and how these are reported to key management, the risks that impact the business accounting model and how these risks are managed, manager remuneration arrangements and the volume of sales.

With specific reference to the "hold to collect" model, according to IFRS 9, the sale of a debt instrument or a loan does not itself determine the business model. In fact, an HTC business model does not necessarily imply that an instrument will be held to maturity and the standard itself offers examples of sales deemed admissible within this model. Accordingly, the Iccrea Group's policies govern the types of sale considered consistent with this model, as in the case of sales made in response to an increase in the credit risk of the counterparty.

Specifically, sales that have occurred as a result of the following circumstances are considered consistent with this business model:

- in the case of an increase in credit risk and, more specifically:
  - on the basis of developments in CDS spreads with regard to the securities portfolio, taking due account of all reasonable and supportable information concerning forecasts, approved/authorized as appropriate;

  - on the basis of the staging indicator for the loan portfolio;

- in the case of sales that occur near the maturity date, i.e. when they approximate the cash flows that would be generated obtained by not selling the security;
- to manage structural liquidity in order to respond to extreme liquidity situations;
- when the sales are frequent but not material in value terms or are occasional even if material in value terms. Frequency and materiality thresholds have been specified to determine those aggregates:
  - frequency is defined as the number of trading days considered in the period considered;
  - materiality is defined as the percentage ratio between the nominal value of sales and the total nominal value of the instruments held in the portfolio during the period considered.

In cases where both frequency and materiality thresholds are exceeded, an assessment must be conducted to determine compliance with the requirements of the business model identified.

The SPPI test

In order to determine whether a financial asset can be measured at amortized cost or at fair value through other comprehensive income, it is important to determine whether the contractual cash flows of the asset are represented by solely payments of principal and interest on the principal amount outstanding. Such contractual flows are compatible with a basic lending arrangement, where the consideration for the time value of money and credit risk are typically the most significant elements of interest. However, interest may also include consideration for other risks, such as liquidity risk, and the costs associated with holding the financial asset. Furthermore, interest may also include a profit margin that is compatible with a basic lending arrangement. The principal amount is represented by the fair value of the financial asset at recognition. Contractual terms introducing exposure to risks or volatility in contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to inverse changes in interest rates, in equity prices or in commodity prices, do not give rise to contractual cash flows that are solely payments principal and interest on the principal amount outstanding. As determined by analysis conducted by the Group, such types of instrument cannot be considered SPPI-compliant and must therefore be measured at fair value through profit or loss.

In some cases, the time value of money element may be modified. That would be the case if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate (for example, the interest rate resets every month to a one-year rate). When assessing a modified time value of money element, the objective is to determine how different the contractual cash flows could be from the cash flows that would arise if the time value of money element was not modified In these cases, IFRS 9 requires the performance of a "benchmark test", an exercise that involves comparing the interest on the actual instrument, calculated at the contractually specified interest rate, and the interest on the benchmark instrument, calculated using the interest rate that does not contain the change in the time value of money, all other contractual clauses being equal. The benchmark test therefore consists of a comparison between the sum of the undiscounted expected cash flows of the actual instrument and the sum of those for the benchmark instrument. In doing so, we consider only reasonably possible scenarios, therefore excluding stress test scenarios.

Furthermore, for the purposes of the SPPI test, any contractual term that could change the timing or amount of the contractual cash flows (for example, the case of a prepayment option, subordinated instruments or an option to extend the term for payment of principal and/or interest) shall also be considered.

Finally, a contractual cash flow characteristic does not affect the classification of the financial asset if it could only have a de minimis effect on the cash flows. At the same time, if a contractual cash flow characteristic is "not genuine", it does not affect the classification of the financial asset. A cash flow characteristic is not genuine if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. To make a determination of the de minimis effect, an entity must consider the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial instrument.

From an operational standpoint, the Group has established guidelines for conducting the SPPI test, which represent the methodology adopted by the Group and reflected in its internal rules, so as to be able to represent the benchmark instrument for the performance of the testing by all the functions involved. In this context, with specific reference to the loan portfolio, these guidelines have been implemented in a tool within the Group's application systems that enables the benchmark test to be performed. With specific reference to the securities portfolio, on the other hand, the outcome of the test is provided by a leading sector info-provider, based on the guidelines and methods defined by the Group.

1 – Financial assets measured at fair value through profit or loss

Classification

This category includes financial assets, regardless of their technical form, which are not recognized under financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost. More specifically, the category comprises:

- financial assets held for trading, mainly represented by debt securities, equity instruments and the positive value of derivatives held for trading;
- financial assets designated as at fair value, i.e. financial assets so designated at the time of initial recognition and where the appropriate conditions are met. In particular, financial assets are designated as irrevocably measured at fair value through profit or loss if, and only if, doing so eliminates or significantly reduces an accounting mismatch;
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortized cost or at fair value through other comprehensive income. These comprise financial assets whose contractual terms do not provide for solely payments of principal and interest on the principal amount outstanding (i.e. that do not pass the SPPI test) or which are not held within the framework of a business model whose objective is the hold assets in order to collecting their contractual cash flows (the hold to collect business model) or to both collect the contractual cash flows and sell the financial assets (the hold to collect and sell business model).

The category therefore includes:

- debt securities and loans that are held as part of an "other" business model or that do not pass the SPPI test;
- equity instruments - that do not represent an interest in subsidiaries, associates or joint arrangements - held for trading or for which the option at the time of initial recognition to designate them as held at fair value through other comprehensive income was not exercised;
- units in collective investment undertakings and derivative instruments.

With regard to derivatives, this item also includes derivatives embedded in a financial liability or in a non-financial contract (the "host contract"). The combination of a host contract and the embedded derivative is a hybrid instrument. In this case the embedded derivative is separated from the host contract and recognized as a derivative if:

- the economic characteristics and risks of the embedded derivative are not closely related to the characteristics of the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

In compliance with IFRS 9, reclassifications are allowed only following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity's senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk.

Recognition

Debt and equity securities are initially recognized at the settlement date, while derivative contracts are recognized at the trade date. Financial assets are initially recognized at fair value, which is usually the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss.

Measurement

Financial assets measured at fair value through profit or loss are measured at fair value following initial recognition. The effects of the application of this treatment are recognized through profit or loss.

For financial instruments listed on active markets, the fair value of financial assets or liabilities is determined on the basis of the official prices at the reporting date. For financial instruments that are not listed on active markets, including equity instruments, fair value is determined using valuation techniques and observable market data, such as: the price of listed instruments with similar features, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions.

With specific regard to equity instruments not listed on an active market, cost is used as an estimate for fair value only in rare cases in a limited number of circumstances, i.e. where cost represents the best estimate of fair value among a wide range of fair values, making cost the most significant value, or in cases in which the valuation techniques referred to above are not applicable.

For more information on the determination of fair value, please see section A.4 "Fair value disclosures" of Part A of the notes to the financial statements.

Derecognition

Financial assets measured at fair value through profit or loss are derecognized when the contractual rights to the cash flows expire, are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to third parties.

Recognition of income components

The results of the measurement of financial assets held for trading are recognized through profit or loss under item 80 "Net gain (loss) on trading activities". The results of the measurement of financial assets designated as at fair value and of those mandatorily measured at fair value are instead recognized under item 110 "Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss", respectively under sub-items "a) financial assets and liabilities designated as at fair value" and "b) other financial assets mandatorily measured at fair value. Dividends from equity instruments held for trading are recognized through profit or loss under item 70 "Dividends and similar income" when the right to receive payment is established.

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

Classification

This category includes financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. they pass the SPPI test).

The category also includes capital instruments not held for trading for which the option was exercised at the time of initial recognition to designate them as held at fair value through other comprehensive income with no recycling to profit or loss of any gains or losses on disposal.

Specifically, the item includes:

- loans and debt securities held with a "hold to collect and sell" business model that pass the SPPI test;
- equity interests - that do not represent an interest in subsidiaries, associates or joint arrangements – not held for trading for which the option was exercised at the time of initial recognition to designate them as held at fair value through other comprehensive income. This includes equity investments intended to strengthen the Group's commercial presence and extend its reach into business areas in which it is not present. Similarly, this option is exercised for equity instruments that have been acquired for strategic and institutional purposes and are therefore held with no intention of selling them in the short term, representing instead a medium/long-term investment.

Pursuant to IFRS 9, reclassifications are only allowed following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity's senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk. In the event of the reclassification of financial assets measured at fair value through other comprehensive income to the category of financial assets measured at amortized cost, the cumulative gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. In the event of reclassification to financial assets measured at fair value through profit or loss, the cumulative gain or loss previously recognized in other comprehensive income is recognized through profit or loss.

Recognition

Financial assets measured at fair value through other comprehensive income are initially recognized at the settlement date for debt or equity securities and at the disbursement date for loans.

Financial assets are initially recognized at fair value, which is generally the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss. The initial recognition value includes direct transaction costs or revenue determinable at the recognition date, even if settled at a later time.

Measurement

Following initial recognition, financial assets measured at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with the value corresponding to the amortized cost recognized in the income statement. Gains and losses from changes in the fair value are recognized in a special equity reserve until the asset is derecognized or they incur an impairment loss. Upon disposal or the recognition of an impairment loss, the cumulative gain or loss recognized in the equity reserve is reversed to profit or loss.

Equity instruments classified in this category under the option provided for by IFRS 9 are measured at fair value through other comprehensive income. Unlike other instruments classified here, however, those amounts are not subsequently transferred to profit or loss, even if the instruments are sold (no recycling). Accordingly, the only element associated with the equity instruments recognized through profit or loss is any associated dividends.

Fair value is determined using the criteria adopted for financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through other comprehensive income represented by debt securities are assessed for any significant increase in credit risk (impairment) like assets measured at amortized cost, with the consequent recognition through profit or loss of a provision to cover expected loss. More specifically, if at the measurement date no significant increase in credit risk is found compared with the date of initial recognition (stage 1), the 12-month expected loss is recognized. Conversely, the lifetime expected loss is recognized for instruments whose credit risk has increased significantly since initial recognition (stage 2) and for impaired exposures (stage 3). Equity instruments do not undergo impairment testing.

Derecognition

Financial assets measured at fair value through other comprehensive income are derecognized when the contractual rights to the cash flows expire, are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

Recognition of income components

Gains and losses from changes in fair value are recognized in a specific equity reserve until the asset is derecognized, while the amortized cost value of assets measured a fair value through other comprehensive income is recognized through profit or loss. The equity reserve representing the cumulative changes in the fair value of equity instruments for which the option to irrevocably designate the instrument as at fair value through other comprehensive income was exercised is not reversed through profit or loss even when the asset is derecognized, while dividends in respect of such instruments are recognized through profit or loss.

Interest calculated on debt instruments using the effective interest method, which takes account of both the amortization of transaction costs and the differential between the initial value and the repayment value, are recognized under item 10 “Interest and similar income”.

Writedowns and writebacks for credit risk and the recognition of an impairment loss are recognized under item 130 “Net losses/recoveries for credit risk in respect of financial assets measured at fair value through other comprehensive income”, with a corresponding adjustment of the relevant valuation reserve in equity.

Cumulative gains and losses recognized in other comprehensive income are recognized through profit or loss under item 100 “Gain (loss) on disposal of financial assets measured at fair value through other comprehensive income” on the disposal of the asset.

Dividends on an equity instrument are recognized through profit or loss under item 70 “Dividends and similar income” when the right to receive payment is established.

3 – Financial assets measured at amortized cost

Classification

This category comprises financial assets such as loans and debt securities held within a business model whose objective is achieved by collecting contractual cash flows on a financial asset (“hold to collect” business model) that are solely payments of principal and interest on the principal amount outstanding (i.e. they pass the SPPI test).

Specifically, this category includes credit exposures to banks (including the central bank) and to customers that, regardless of technical form (bonds, loans, credit lines and deposits), meet the requirements indicated above.

Pursuant to IFRS 9, reclassifications are allowed only following a modification of the business model. Such changes are expected to be very infrequent and are determined by the entity’s senior management (as identified pursuant to IAS 24) as a result of external or internal changes and must be significant to the Bank’s operations and demonstrable to external parties. This occurs, for example, when the entity has acquired, disposed of or terminated a business line.

The transfer value is represented by the fair value at the time of the reclassification, which takes place prospectively starting from that date. In this case, the effective interest rate is redetermined based on the fair value of the reclassified financial asset at the time of the change and that moment is considered to be the initial recognition date for the purpose of verifying a significant increase in credit risk. In the event of the reclassification of financial assets measured at amortized cost to the category of financial assets measured at fair value through other comprehensive income, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. In the event of reclassification to financial assets measured at fair value through profit or loss, the gain or loss is recognized though profit or loss.

Recognition

Financial assets are initially recognized at the settlement date for debt securities and at the disbursement date for loans. The initial amount recognized is equal to the amount disbursed or subscription price, including costs and revenue directly attributable to the transaction and determinable from the inception of the transaction, even if settled at a later time. The initially recognized amount does not include costs to be reimbursed by the debtor or that can be characterized as normal administrative overhead costs.

The initial recognition amount of loans disbursed at non-market conditions is equal to the fair value of the loans, determined using valuation techniques. The difference between the fair value and the amount disbursed or the subscription price is recognized through profit or loss.

Securities repurchase transactions are recognized as funding or lending transactions. Transactions involving a spot sale and a forward repurchase are recognized as payables in the amount received spot, while those involving a spot purchase and a forward sale are recognized as receivables in the amount paid spot.

Transactions with banks through correspondent accounts are recognized at the time of settlement and, therefore, these accounts are adjusted for all non-liquid items regarding bills and documents received or sent registered as ‘subject to collection’ or after actual collection.

Where, in the event of unusual circumstances, the assets are recognized in this category following reclassification form financial assets available for sale or from financial assets held for trading, the fair value of the assets at the date of reclassification shall be deemed to be the new amortized cost of the assets.

Measurement

Subsequent to initial recognition, financial assets are measured at amortized cost, using the effective interest rate method. The amortized cost equals the amount at which a financial asset is measured at initial recognition decreased by principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, minus any reduction (directly or through the use of a provision) due to impairment or non-recoverability.

In certain cases, a financial asset may be considered impaired at initial recognition because its credit risk is very high and, in the case of a purchase, is acquired at a large discount to its value at initial issue.

Amortized cost is not used for very-short-term loans, loans without a specified maturity or revocable loans, for which the impact of this method can be considered not material. These positions are measured at cost.

The measurement effects strictly consider the three different credit risk stages provided for in IFRS 9. The stages can be summarized as follows:

- stage 1 and 2 including performing financial assets;
- stage 3 including impaired financial assets.

With regard to the presentation of measurement effects in the accounts, value adjustments of this type of asset are recognized through profit or loss:

- at the time of initial recognition in an amount equal to 12 month expected credit losses;
- at the time of subsequent measurement of the asset where credit risk has not increased significantly since initial recognition in an amount equal to the change in the loss allowance for 12 month expected credit losses;
- at the time of subsequent measurement of the asset where credit risk has increased significantly since initial recognition in an amount equal to the loss allowance for lifetime expected credit losses;
- at the time of subsequent measurement of the asset where credit risk has increased significantly since initial recognition but the increase is no longer "significant" in an amount equal to the adjustment of the cumulative loss allowances to take account of the transition from lifetime expected credit losses to 12-month expected credit losses.

Financial assets recognized in this category are tested for impairment periodically and in any event at the close of each reporting period in order to determine any value adjustments to be recognized at the level of individual loans (or tranches of a security) as a function of the risk parameters represented by Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD), appropriately modeled to take account of the provisions of IFRS 9. The amount of the value adjustment recognized through profit or loss therefore takes into consideration so-called forward-looking information and possible alternative recovery scenarios. If, in addition to a significant increase in credit risk, financial assets show objective evidence of impairment, the amount of the loss is measured as the difference between the carrying amount of the assets (classified as "impaired") and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial assets. The assessment of the impairment loss and the consequent amount to be recognized in profit or loss is conducted on an individual basis or determined by creating groups of positions with a uniform risk profile.

Non-performing loans, unlikely-to-pay positions, restructured exposures and past-due or over-limit exposures are considered impaired in accordance with the applicable rules of the Bank of Italy, consistent with the IAS/IFRS and European supervisory regulations (stage 3).

Measurement of the financial assets takes account of the best estimate of expected future cash flows in respect of principal and interest payments. Also taken into consideration is the realizable value of any guarantees excluding recovery costs, recovery times estimated based on contractual maturities, if any, and on reasonable estimates in the absence of contractual provisions, and the discount rate, which is the original effective interest rate. For impaired positions at the transition date, where determining this figure would be excessively burdensome, the Bank has adopted reasonable estimates, such as the average rate of loans for the year in which the loan was first classified as a bad debt, or the restructuring rate.

If the reasons for the impairment should cease to obtain following an event that occurred subsequent to the recognition of the impairment loss, a writeback is taken to profit or loss. The value of the financial asset after the writeback shall not exceed the amortized cost that the instrument would have had in the absence of the prior writedown. See the section on procedures for determining impairment for more information.

Where these financial assets are classified as measured at amortized cost or at fair value through other comprehensive income, they are classified at initial recognition as "purchased or originated credit impaired" ("POCI") and receive special treatment in terms of impairment, with the recognition of lifetime expected credit losses. In addition, the credit-adjusted effective interest rate is calculated for financial assets identified as POCIs at initial recognition. This rate reflects initial expected losses in estimating cash flows. In using amortized cost method, and the consequent calculation of interest, therefore, this credit-adjusted effective interest rate is therefore used.

Derecognition

Financial assets measured at fair value through other comprehensive income are derecognized when the contractual rights to the cash flows expire, are extinguished or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred. Where it is not possible to determine whether substantially all the risks and rewards have been transferred, the financial assets are derecognized if no form of control over it is retained. Conversely, where even a portion of control is retained, the asset continues to be recognized to the extent of the continuing involvement in the asset, measured by the exposure to changes in value of the transferred assets and changes in their cash flows.

Transferred financial assets are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

In certain cases, during the course of the life of financial assets, in particular loans, the terms of the contract may be modified from those in force at the time of initial recognition. In these circumstances, the modified terms must be analyzed to determine whether the original assets can continue to be recognized or must instead be derecognized, with the consequent recognition of new modified financial assets. In general, modifications of contractual terms lead to the derecognition of the financial asset and the recognition of a new asset when they are considered to be "substantial", with the recognition in profit or loss of any difference in carrying amounts. In conducting this assessment, qualitative judgments are called for. To this end, the assessment shall consider:

- the reasons for the modifications, distinguishing, for example, between renegotiations carried out for commercial reasons or in response to the counterparty's financial difficulties:
  - transactions carried out with performing counterparties for reasons other than debtor's financial difficulties, and therefore not related to a change in the creditworthiness of the borrower, are considered commercial renegotiations, which have the main objective of adjusting the cost of credit to market conditions. These cases include all renegotiations aimed at maintaining the commercial relationship with the client, and are therefore carried out with the aim of retaining the counterparty, who might otherwise turn to another bank. In this case, these modifications are considered substantial because if they did not occur, the customer could turn to another financial institution, thus causing the bank to lose future revenue;
  - transactions whose objective is to maximize the recoverable value of the loan are considered renegotiations due to financial difficulties of the counterparty, with the creditor therefore willing to accept a restructuring of the debt on terms potentially favorable to the debtor. In these circumstances, it is generally assumed that there has essentially been no extinguishment of the original cash flows that would therefore require derecognition of the original loan. Consequently, these types of renegotiation represent the majority of cases presented in the financial statements through "modification accounting", in which the difference between the carrying amount and the recalculated value of the financial asset is recognized in profit or loss by discounting the renegotiated or modified cash flows at the original effective interest rate;
- the presence of specific objective elements that substantially modify the characteristics and/or cash flows of the financial instrument, such that they would entail the derecognition of the instrument and the consequent recognition of a new financial asset. This includes, for example, the introduction of new contractual terms that would cause the asset to fail the SPPI test or a change in the denomination of the currency of the instrument, as the entity would be exposed to a new risk.

Recognition of income components

Interest on financial assets measured at amortized cost is recognized under item 10 "Interest and similar income" in the income statement using the effective interest criterion, which takes account of both the amortization of transaction costs and the differential between the initial value and the repayment value.

Gains or losses on the financial assets in question are recognized in profit or loss when the assets are derecognized or have incurred an impairment loss.

More specifically, gains or losses deriving from the sale of an asset are, as previously noted, recognized in the income statement under the item 100 "Gain (loss) on the disposal or repurchase of: a) financial assets measured at amortized cost" on the disposal of the asset.

Writedowns and writebacks for credit risk are recognized under item 130 "Net losses/recoveries for credit risk in respect of: a) financial assets measured at amortized cost", with a corresponding adjustment of the relevant provision

4 - Hedging

The Bank has elected to exercise the option to continue to apply the rules provided for in IAS 39 governing hedge accounting (the "opt-out" option).

Risk hedging transactions are intended to neutralize the potential losses recognized on a given element or group of elements attributable to a given risk in the event that risk should actually be realized.

The types of hedges permitted under IAS 39 are as follows:

- fair value hedges, which are intended to hedge the exposure to changes in the fair value (due to the various types of risk) of assets and liabilities or portions of assets and liabilities, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities as permitted under IAS 39 as endorsed by the European Commission;
- cash flow hedges are intended to hedge the exposure to the risk of changes in the future cash flows on recognized assets or liabilities or on highly probable forecast transactions. This type of hedge is essentially used to stabilize interest flows on variable-rate funding to the degree that the latter finances fixed-rate lending. In some circumstances, analogous transactions are carried out for certain types of variable-rate lending.

Only instruments that involve a non-Group counterparty can be designated as hedging instruments.

The items "hedging derivatives" among assets and liabilities include the positive and negative values of derivatives that are part of effective hedging relationships.

Macrohedging portfolios of assets and liabilities

The hedging of portfolios of assets and liabilities (macrohedging) and the corresponding presentation in the accounts is possible subject to:

- identification of the hedged portfolio and bucketization of the portfolio based on the frequency of payment of the installments and on the maturity of the individual transactions making up the portfolio;
- designation of the nominal amount covered by the hedge;
- identification of the level of the hedged interest rate;
- definition and designation of the hedging instrument(s);
- measurement of the effectiveness of the hedging relationship.

A portfolio covered by interest rate risk hedging may contain both financial assets and liabilities that share exposure to the interest rate risk factor. This portfolio is analyzed through bucketization in accordance to the contractual payment deadlines in order to define the most appropriate hedging instrument based on the objective of optimizing interest rate risk management and estimating pre-payment events.]

Macrohedging transactions exclusively concern portfolios of financial assets represented by fixed-rate loans or variable-rate loans with a minimum/maximum rate for customers.

Recognition

Hedging derivatives and the hedged financial assets and liabilities are reported in accordance with hedge accounting rules. In particular, derivative instruments with a positive fair value are recognized under item 50 “Hedging derivatives” on the asset side of the balance sheet, while derivatives with a negative fair value at the reporting date are recognized under item 40 “Hedging derivatives” on the liability side of the balance sheet.

Measurement and recognition of income components

Hedging derivatives are measured at fair value.

More specifically:

- in the case of fair value hedges, the change in the fair value connected with the hedged risk on the hedged item is offset in profit or loss with the change in the fair value of the hedging instrument, which is also recognized through profit or loss. Any difference between the two changes, which represents the partial ineffectiveness of the hedge, represents the net impact in profit or loss;
- in the case of cash flow hedges, changes in the fair value of the derivative are recognized through equity in the amount of the effective portion of the hedge. They are recognized through profit or loss only when the change in cash flows in respect of the hedge item actually occurs or if the hedge is ineffective.

The derivative is designated as a hedging instrument where there is formal documentation of the relationship between the hedged item and the hedging instrument and if it the hedge is effective at the moment of inception and throughout its life.

The effectiveness of a hedge depends on the extent to which changes in the fair value of the hedged item or the associated cash flows are offset by those of the hedging instrument. Accordingly, effectiveness is determined taking account of those changes, taking account of the intentions of the entity at the time the hedge is established.

A hedge is deemed effective when the changes in fair value (or in cash flows) of the hedging instrument nearly entirely offset (i.e. within a range of 80-125%) changes in the hedged instrument for the risk factor being hedged.

Effectiveness is measured at every reporting date through:

- prospective tests, which justify the use of hedging accounting, as they demonstrate the hedge’s expected effectiveness;
- retrospective tests, which indicate the level of effectiveness of the hedge achieved in the period under review, measuring the difference between actual results and theoretical results (perfect hedges).

If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued in accordance with the above criteria, the hedging derivative is reclassified as a trading instrument and the hedged financial instrument is measured using the criteria normally adopted for instruments of its category. Subsequent changes in the fair value of the derivative are recognized through profit or loss. For cash flow hedges, if the hedged transaction is no longer expected to be carried out, the cumulative gain or loss recognized in the equity reserve is reversed through profit or loss.

The changes in fair value of the hedged instruments and those used as hedging instruments in a fair value hedge are recognized under item 90 of the income statement “Net gain (loss) on hedging activities”. The same item is used to hedge the ineffective portion or any overhedging of the cash flow hedge derivative measured against the theoretical derivative (ineffective portion of the hedge).

In the case of generic fair value hedges ("macro hedges"), the changes in fair value associated with the interest rate risk of the hedged assets or liabilities are recognized, respectively, under item 60 "Value adjustments of financial assets hedged generically" or 50. "Value adjustments of financial assets hedged generically" against item 90 of the income statement "Net gain (loss) on hedging activities".

5 – Equity investments

Classification

The item includes equity investments in subsidiaries, associates and joint ventures.

Subsidiaries are entities for which the investor has the ability to direct the relevant activities of the entity, by virtue of a legal right or a mere state of fact, and is also be exposed to the variability of the returns deriving from that power.

Under IFRS 10, the requirement of control is met when an investor simultaneously has:

- the power to direct the relevant activities of the entity;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of the investor's returns (link between power and returns).

Joint control is the contractually agreed sharing of control of an arrangement.

Associates comprise companies in which an entity holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which the Group exercises a significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Equity interests in subsidiaries, joint ventures and associates held for sale are reported separately in the financial statements as a disposal group and are measured at the lower of the carrying amount and the fair value excluding disposal costs.

Recognition

Equity investments are initially recognized at cost at the settlement date including costs and revenue that are directly attributable to the transaction.

Measurement

Investments in subsidiaries are measured at cost, while equity investments in associates and jointly ventures are measured using the equity method (for further details, see Section 3 – Scope and methods of consolidation in Part A Accounting policies: A.1 – General information). Where there is evidence that the value of an equity investment may be impaired, its recoverable amount is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognized through profit or loss as an impairment loss.

Impairment testing of equity investments

As required by the accounting standards referred to earlier and by IAS 36, if there is evidence (triggers) of possible impairment, equity investments undergo impairment testing to determine whether there is objective evidence that the carrying amount of such assets is not fully recoverable and to determine the amount of any writedown.

Impairment indicators are essentially divided into two categories:

- qualitative indicators, such as the posting of losses or in any case a significant divergence with respect to budget targets or the objectives set out in the long-term plans announced to investors, the announcement/start of composition with creditors or restructuring plans, and the downgrading by more than two grades of the rating issued by a specialist agency;
- quantitative indicators consisting of a reduction in fair value below the carrying amount of over 30%, or for a period of more than 24 months, the distribution by the latter of a dividend greater than its comprehensive income. In the presence of evidence of impairment, the size of any writedown is determined on the basis of the difference between the carrying amount and the recoverable value, which is equal to the greater of fair value less costs to sell and the value in use.

Derecognition

Control, joint control and significant influence cease in cases in which the power to determine financial and operating policies of the company is removed from the governance bodies of the company and transferred to a governmental body, a court and in similar cases. The equity investment in these cases is subject to the treatment of IFRS 9, as provided for financial instruments.

Equity investments are derecognized when the contractual rights to the cash flows from the assets expire or when substantially all the risks and rewards connected with ownership of the equity investment are transferred.

Recognition of income components

Dividends received from equity investments are recognized in the income statement under item 70 “Dividends and similar income” when the right to receive payment is established.

Impairment losses on subsidiaries, associates and joint ventures are recognized at cost in the income statement under item 220 “Profit (loss) from equity investments”. If the reasons for the impairment loss should be removed following an event occurring after the recognition of the impairment loss, the consequent writebacks are recognized in the income statement (in an amount not exceeding the previous writedowns) under item 220.

6 – Property, plant and equipment

Classification

Property, plant and equipment includes land and buildings used in operations and those held for investment purposes, plant, vehicles, furniture, furnishings and equipment of any kind.

According to IAS 16, buildings used in operations are those held for use in the supply of services or for administrative purposes. Pursuant to IAS 40, investment property includes property held to earn rentals or for capital appreciation or both.

The item also includes assets in accordance with IAS 2 - Inventories, which mainly include assets deriving from the enforcement of guarantees or purchase at auction that the Bank intends to sell in the near future without carrying out significant restructuring works and which do not meet the conditions for classification in the previous categories (“for use in operations” or “for investment”). This therefore includes assets acquired following the closure of an impaired credit exposure (for example from acceptance of the asset in lieu of the original performance (“datio in solutum”), from the consolidation of companies acquired as a result of loan restructuring/recovery agreements, the non-exercise of the purchase option in a finance lease or the termination of an impaired lease, etc.).

Where the requirements for the application of IFRS 5 to these assets are not met, the Group normally initially classifies the assets as inventories, subsequent measuring them in accordance with the criteria set out in IAS 2, except in rare cases in which the conditions are met for classification as:

- asset held for use in operations (see IAS 16);
- assets held for investment purposes (see IAS 40), insofar as they are held for the purpose of generating income through the receipt of lease payments or for capital appreciation.

Finally, property, plant and equipment also includes the rights of use for assets held under leases (whether finance or operating leases) pursuant to IFRS 16, even though the lessor retains legal ownership of the assets.

Recognition

Property, plant and equipment is recognized at cost, which in includes all incidental expenses directly attributable to purchasing and placing the asset in service.

Expenses subsequently incurred (e.g. extraordinary maintenance costs) increase the carrying amount of the asset or are recognized as separate assets if it is likely that the future economic benefits will exceed initial estimates and the costs can be reliability calculated.

All other subsequent expenses (e.g. ordinary maintenance costs) are recognized in the income statement in the year incurred.

Property, plant and equipment originally held as collateral for credit and acquired in recovery activities carried out on the basis of specific contracts or legal proceedings is recognized when both of the following conditions are met:

- recovery activities have been completed;
- the Bank has acquired ownership of the property.

Normally these exchange transactions lack commercial substance as defined in paragraph 24 of IAS 16 and, consequently, the asset is initially recognized at the carrying amount of the asset given up.

In the rare cases where, in an exception to the general principle mentioned above, the enforcement operation has commercial substance, the asset acquired is initially recognized at fair value.

In the case of recognition of rights of use in respect of leased assets pursuant to IFRS 16, the cost of the right-of-use asset is determined as follows:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is recognized at the time the underlying asset is effectively ready for use.

Measurement

Property, plant and equipment used in operations is measured at cost less depreciation and impairment. Depreciation is determined systematically over the remaining useful life of the asset.

For assets purchased and placed in service during the year, the period of depreciation is calculated on the basis of the actual number of days the assets contributes to the production cycle. For assets transferred and/or disposed of during the year, depreciation is calculated on a daily basis up to the date of transfer or disposal.

The depreciable value is represented by the cost of the assets since the residual value at the end of the depreciation process is considered negligible. Buildings are depreciated at a rate of 3% per year, deemed to appropriately represent the deterioration of the assets over time from their use, taking into account extraordinary maintenance costs, which increase the value of the asset. Land, whether purchased individually or incorporated into the value of a building, is not depreciated.

In accordance with the provisions of paragraph 32a) of IAS 40, investment property as defined in IAS 40 is valued using the cost model and is depreciated.

Assets classified as inventory are measured at the lower of recognition cost and net realizable value and are not depreciated. The net realizable value is equal to the estimated price for sale in the normal course of business, net of the estimated completion costs and those necessary for the sale of the asset.

Following initial recognition, assets acquired through recovery or enforcement of guarantees in debt collection activities carried out by the Bank for impaired loans are measured in accordance with the criteria established for the classification adopted (for use in operations, for investment purposes, inventories).

Right-of-use assets determined in compliance with IFRS 16 are subsequently measured using a cost model, less depreciation and impairment losses, in accordance with IAS 16.

Derecognition

Property, plant and equipment is derecognized when disposed of or when permanently withdrawn from use and no future benefits are expected from its disposal.

Recognition of income components

Depreciation of property, plant and equipment measured at cost, with the exception of inventories, is recognized through profit or loss under "Net adjustments of property, plant and equipment".

In the first year, depreciation is recognized in proportion to the period the asset is effectively available for use. For assets sold or otherwise disposed of during the year, depreciation is calculated on a daily basis up to the date of transfer and/or disposal.

If there is evidence of possible impairment of the asset, the asset's carrying amount is compared against its recoverable amount, which is equal to the greater of the value in use of the asset, meaning the present value of future cash flows originated by the asset and its fair value, net of any disposal costs. Any negative difference between the carrying amount and the recoverable amount is recognized in the income statement. If the reasons for the impairment should cease to obtain, a writeback is recognized in the income statement. The carrying amount following the writeback shall not exceed the value that the asset would have had, net of depreciation, in the absence of the prior writedowns.

Gains and losses deriving from the disposal or decommissioning of property, plant and equipment are determined as the difference between the net sale price and the carrying amount of the asset. They are recognized in profit and loss at the same date on which the assets are derecognized, under the item 250 “Profit (loss) from the disposal of investments”.

7 – Intangible assets

Classification

Intangible assets are recognized as such if they are identifiable and are based on legal or contractual rights. They include application software.

Right-of-use assets have not been recognized in respect of leases involving intangible assets as such recognition is optional under IFRS 16.

Recognition

Intangible assets are recognized at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will be realized and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognized in the income statement in the period in which it is incurred.

Recognition of intangible assets generated internally, and software in particular, is subject to verification of the above conditions and distinguishing between the research activities and development activities carried out to produce the asset. Costs associated with research cannot be capitalized, as the generation of probable future economic benefits cannot be demonstrated.

Intangible assets may be recognized in respect of goodwill arising from business combinations (purchases of business units). The goodwill recognized in business combinations carried out following January 1, 2004 is recognized in an amount equal to the positive difference between the purchase price of the business combination including transaction costs and the fair value of the assets and liabilities acquired if that positive difference represents future economic benefits. Goodwill in respect of business combinations carried out prior to the date of transition to the IFRS are measured on a cost basis and represent the same value as that given using Italian GAAP.

Measurement

After initial recognition, intangible assets with a finite useful life are recognized at cost, net of total amortization and accumulated impairment losses. Amortization begins when the asset becomes available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended and ceases when the asset is derecognized. Intangible assets are amortized on a straight-line basis, so as to reflect the long-term use of the asset over its estimated useful life, which for application software does not exceed 5 years.

Goodwill is not amortized and is tested for impairment at each annual or interim reporting date.

Derecognition

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to be generated by the use or disposal of the asset.

Recognition of income components

Amortization is recognized through profit or loss under item 190 “Net adjustments of intangible assets”, as are impairment losses. If the reasons for the impairment of intangible assets other than goodwill should cease to obtain, a writeback is recognized in profit or loss. The value of the asset after the writeback shall not exceed the value that the asset would have had, net of amortization, in the absence of the prior writedowns for impairment.

Writedowns of goodwill are recognized in the income statement under item 240 “Writedowns of goodwill”. Goodwill previously written down may not be written back.

Gains and losses from the disposal or other transfer of an intangible asset are determined as the difference between the net sale price and the carrying amount of the asset and recognized in the income statement under the item 250 “Profit (Loss) from disposal of investments.

8 – Non-current assets and liabilities and disposal groups held for sale

Classification

Non-current assets and disposal groups and associated liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when their sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Bank must be committed to the sale, which must be expected to be completed within one year of classification as held for sale.

Properties obtained through the enforcement of guarantees are classified under this item when the following conditions are met:

- the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets;
- the sale is highly probable. In particular, the appropriate level of management must be committed to a plan to sell the asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Finally, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by IFRS 5, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Recognition

Non-current assets and disposal groups held for sale are valued at the lower of their carrying amount and their fair value less costs to sell, with the exception of assets for which IFRS 5 requires measurement in accordance with the applicable IFRSs (e.g. financial assets within the scope of IFRS 9).

Measurement and recognition of income components

Following initial recognition in this category, the assets are measured at the lower of their carrying amount and their fair value less costs to sell, with the exception of assets that IFRS 5 requires be measured using the provisions of the relevant accounting standard (for example, financial assets within the scope of IFRS 9). If the assets held for sale can be depreciated, any such depreciation ceases upon classification to non-current assets held for sale. Non-current assets and disposal groups held for sale, as well as “discontinued operations”, and the associated liabilities are reported under specific items of assets (“Non-current assets and disposal groups held for sale”) and liabilities (“Liabilities associated with disposal groups held for sale”).

The results of the measurement, income, expenses and gains/losses upon disposal (net of any tax effect), of “discontinued operations” are reported in the income statement under “Profit (loss) after tax of disposal groups held for sale”.

Derecognition

Non-current assets and disposal groups held for sale are derecognized upon disposal.

9 – Current and deferred taxation

Classification

Income taxes, which are calculated on the basis of national tax law, are accounted for as a cost on an accruals basis, in line with the recognition of the costs and revenue that gave rise to the tax liability. They therefore represent the balance of current taxes and deferred taxes in respect of income for the year. Current tax assets and liabilities report the net tax positions of the companies of the Group in respect of Italian and foreign tax authorities. More specifically, they report the net balance between current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax liability for the period, as determined on the basis of applicable tax law, and current tax assets represented by payments on account and other tax receivables for withholding tax incurred or other tax credits for previous years which the Group companies opted to offset against taxes for subsequent years. Current tax assets also report tax receivables for which the Group companies have requested reimbursement from the competent tax authorities.

Deferred taxation is determined using the balance sheet liability method, taking account of the tax effect of temporary differences between the carrying amount of assets and liabilities and their value for tax purposes, which will give rise to taxable or deductible amounts in future periods. To that end, “taxable temporary differences” are those that in future periods will give rise to taxable amounts and “deductible temporary differences” are those that in future periods will give rise to deductible amounts. Deferred taxes are recognized on all taxable temporary differences, with the following exceptions: i) deferred tax liabilities arising from the initial recognition of goodwill or ii) an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect either the balance sheet or the

tax situation.

Deferred tax assets are recognized against all deductible temporary differences, tax receivables and unused tax losses that can be carried forward, insofar as it is probable that sufficient future taxable income will be available to allow the use of the deductible temporary differences and the tax receivables and losses carried forward, except for cases in which the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that does not represent a business combination and, at the time of the transaction, does not affect either the balance sheet or the tax situation.

Deferred tax is calculated by applying the tax rates established in applicable tax law, laws already issued or substantially in force at the reporting date that are expected to be applied during the year in which those assets are realized or those assets are extinguished to taxable temporary differences for which it is likely that a tax charge will be incurred and to deductible temporary differences for which it is reasonable certain there were be future taxable income at the time they become deductible (the probability test).

Current tax assets and liabilities and deferred tax assets and liabilities are offset in the financial statements if, and only if, they relate to income taxes applied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities.

Recognition and measurement

Where the deferred tax assets and liabilities regard items that impact profit or loss, that effect is recognized under income taxes.

In cases where the deferred tax assets and liabilities regard transactions that directly impact equity with no effect on profit or loss (such as adjustments on first-time adoption of the IAS/IFRS, measurement of financial instruments measured at fair value through other comprehensive income or cash flow hedge derivatives), they are recognized in equity, under specific reserves where required (i.e. the valuation reserves).

The potential taxation in respect of items on which taxation has been suspended that will be “taxed in the event of any use” is recognized as a reduction in equity. Deferred taxes in respect of revaluations prompted by conversion of amounts to the euro that were directly allocated to a specific reserve under Article 21 of Legislative Decree 213/98 on a tax-suspended basis are recognized as a reduction of that reserve. The potential taxation in respect of items that will be taxed “only in the event of distribution” is not recognized as the amount of available reserves that have already been taxes is sufficient to conclude that no transactions will be carried out that would involve their taxation.

Deferred taxation in respect of companies participating in the consolidated taxation mechanism is recognized in their financial statements on an accruals basis in view of the fact that the consolidated taxation mechanism is limited to settlement of current tax positions.

The potential taxation of components of the equity of the consolidated companies is not recognized where the circumstances that would give rise to their taxation are not considered likely to arise, taking due consideration of the lasting nature of the investment.

The value of deferred tax assets and liabilities is reviewed periodically to take account of any changes in legislation or in tax rates.

Recognition of income components

Income taxes are recognized through profit or loss, with the exception of those debited or credited directly to equity. Current income taxes are calculated based on taxable income for the period.

In determining income taxes, any uncertainties over tax treatments are taken into account, in accordance with the provisions of IFRIC 23.

Current tax payables and receivables are recognized at the value that payment to or recovery from the tax authorities is expected by applying current tax rates and regulations. Deferred income tax assets and liabilities are calculated on the basis of temporary differences between the value attributed to the assets and liabilities in the financial statements and the corresponding values recognized for tax purposes.

Derecognition

Deferred tax assets and deferred tax liabilities are derecognized in the period in which:

- the temporary difference that originated them becomes taxable for deferred tax liabilities or deductible for deferred tax assets;
- the temporary difference that originated them is no longer relevant for tax purposes;
- for deferred tax assets only, the probability test envisaged by IAS 12 indicates that sufficient future taxable income will not be available.

10 – Provisions for risks and charges

Provisions for commitments and guarantees issued

This sub-item reports provisions estimated in respect of the credit risk on commitments to disburse funds and guarantees issued, which fall within the scope of application of the rules for calculating expected losses in accordance with IFRS 9. In principle, these cases use the same methods for allocation to the three risk stages and the calculation of expected losses that are adopted for financial assets measured at amortized cost or at fair value through other comprehensive income.

This sub-item also includes are provisions for other types of commitments and guarantees issued that, on the basis of their characteristics, do not fall within the scope of application of impairment in accordance with IFRS 9.

Other provisions for risks and charges

The other provisions for risks and charges include provisions for legal obligations or related to employment relationships or disputes originating from a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The item also includes long-term employee benefits.

Recognition

A provision shall be recognized if and only if:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Measurement and recognition of income components

The amount recognized is the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the end of the reporting period and reflects the risks and uncertainties that inevitably surround many events and circumstances.

Where the time value of money is material and the payment dates of the obligation can be estimated reliably, the provision shall be discounted at market rates as of the reporting date.

Provisions are reviewed at every reporting date and are adjusted to reflect the best estimate of the charge required to settle the obligations existing at the close of the period. The impact of the time value of money and that of changes in interest rates are reported in profit or loss under net provisions for the period.

Actuarial gains and losses are recognized immediately in profit or loss.

Derecognition

Provisions are only used when the charges for which they were originally established are incurred. When the use of resources to fulfil the obligation is no longer deemed to be probable, the provision is reversed through profit or loss.

11 – Financial liabilities measured at amortized cost

Classification

Financial liabilities measured at amortized cost include amounts due to banks, amounts due to customers and securities issued, comprising all technical forms of interbank and customer funding, repurchase agreements and funding through certificates of deposit, bonds and other funding instruments in circulation, net of any amounts repurchased.

The item also includes liabilities recognized by the lessee in respect of leases (finance or operating) pursuant to IFRS 16.

Recognition

The liabilities are initially recognized at fair value, which is normally equal to the amounts received or the issue price, plus or minus any additional costs or revenue directly attributable to the transaction that are not reimbursed by the creditor. Internal administrative costs are excluded.

Financial liabilities issued on non-market terms are recognized at estimated fair value and the difference with respect to the amount paid or the issue price is taken to the income statement.

Measurement and recognition of income components

Following initial recognition, these liabilities are measured at amortized cost using the effective interest rate method, excluding short-term liabilities, which are recognized in the amount received in keeping with the general principles of materiality and significance. See to the section on assets measured at amortized cost for information on the criteria for determining amortized cost.

Interest expense recognized on financial liabilities is reported under item 20 “Interest and similar expense” in the income statement.

Lease liabilities are restated in the event of a lease modification (e.g. a modification of the scope of the lease) that is not accounted for/considered as a separate contract.

In addition to cases of extinguishment and expiration, financial liabilities reported in these items are also derecognized when previously issued securities are repurchased. In this case, the difference between the carrying amount of the liability and the amount paid to repurchase it is recognized in the income statement under item 100 “Gain (loss) on the disposal or repurchase of: c) financial liabilities”. If the repurchased security is subsequently placed again on the market, this is treated as a new issue and is recognized at the new placement price, with no impact on the income statement.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

12 – Financial liabilities held for trading

Classification

The item reports the negative value of trading derivatives that are not part of hedging relationships as well as the negative value of embedded derivatives to be separated from hybrid instruments. Liabilities deriving from short positions in by securities trading activities are recognized under “Financial liabilities held for trading”.

Recognition

Debt and equity securities representing financial liabilities are initially recognized at the settlement date, while derivative contracts are recognized at the date they are signed. The financial liabilities are initially recognized at fair value, which generally equals the amount received.

In cases in which the amount paid differs from the fair value, the financial liability is recognized at fair value, and the difference between the amount paid and the fair value is recognized through profit or loss.

Derivative contracts embedded in financial liabilities or other contractual forms and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, are recognized separately among financial liabilities held for trading if their value is negative. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

Measurement

Subsequent to initial recognition, the financial liabilities are recognized at fair value through profit or loss. Please see Part 4 “Fair value disclosures” of these notes to the financial statements for information on determining fair value.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

Recognition of income components

Gains and losses from the measurement of and transactions in financial liabilities held for trading are recognized through profit or loss under item 80 "Net gain (loss) on trading activities".

13 – Financial liabilities designated as at fair value

Classification

This item reports financial liabilities designated as at fair value through profit or loss under the option permitted to entities in IFRS 9 (the "fair value option"). More specifically, financial liabilities are irrevocably designated as at fair value through profit or loss if, and only if, doing so eliminates or significantly reduces an accounting mismatch due to a measurement inconsistency or if they contain one or more embedded derivatives.

Recognition

Financial liabilities at fair value through profit or loss are initially recognized at the issue date at their fair value, which normally corresponds to the price paid. If the price is different from the fair value, the financial liability is recognized at its fair value and the difference between the price and the fair value is recognized in the income statement.

Measurement

After initial recognition, financial liabilities reported under this item are measured at fair value in accordance with the following rules:

- if the change in fair value is attributable to a change in the credit risk of the liability, it shall be recognized in other comprehensive income (equity) and is not subsequently recycled through profit or loss;
- all other changes in fair value shall be recognized through profit or loss under "Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss: a) financial assets and liabilities designated as at fair value".

Pursuant to IFRS 9, this accounting method shall not be applied if would create or enlarge an accounting mismatch in the income statement. In this case, the gains or losses related to the liability falling under this item shall be recognized through profit or loss. With regard to the criteria for determining fair value, please see section 16. "Other information" and Part A.4 "Fair value disclosures" of these notes to the financial statements.

Derecognition

Financial liabilities are derecognized when the obligation underlying the liability is extinguished, waived or discharged. Where a financial liability is replaced with another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this exchange or modification is treated as the derecognition of the original liability accompanied by the recognition of a new liability, with the recognition of any difference in their carrying amounts through profit or loss.

Recognition of income components

The result of measurement is recognized through profit or loss.

14 – Foreign currency transactions

Classification

In addition to those explicitly denominated in a currency other than the euro, foreign currency assets and liabilities also include those that have indexing clauses linked to the exchange rate of the euro with a specific currency or with a certain basket of currencies.

Recognition

Transactions in a foreign currency are initially recognized in the functional currency by translating the amount in the foreign currency into the functional currency at the exchange rate prevailing on the date of the transaction.

For the purposes of translation, foreign currency assets and liabilities are divided into monetary items (classified under current items) and non-monetary items (classified under non-current items). Monetary items comprise cash and assets and liabilities to be received or paid in fixed or determinable amounts of money. Non-monetary items are characterized by the absence of a right to receive, or an obligation to deliver, a fixed or determinable amount of money.

Measurement

At the reporting date, foreign currency items are measured as follows:

- monetary items are translated at the exchange rate prevailing at the reporting date;
- non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date;
- non-monetary items measured at fair value are translated using the exchange rate prevailing at the reporting date.

Recognition of income components

Exchange rate differences relating to financial assets/liabilities other than those designated as at fair value and those mandatorily measured at fair value through profit or loss are recognized in the income statement under item 80 “Net gain (loss) on trading activities”. Exchange rate differences relating to the two categories referred to above are recognized in under item 110 “Net gain (loss) of other financial assets and liabilities measured at fair value through profit or loss”. In addition, if the financial asset is measured at fair value through other comprehensive income, exchange rate differences are allocated to the relevant valuation reserve.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates other than the initial translation rate are recognized through profit or loss in the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity. Likewise, when a gain or less is recognized through profit or loss, the corresponding exchange rate difference is also recognized through profit or loss.

15 – Other information

Employee termination benefits

Following the reform of supplementary pension schemes introduced by Legislative Decree 252 of December 5, 2005, changes were made to the way in which employee termination benefits are recognized. The portion of termination benefits accrued through December 31, 2006 is treated as a defined-benefit plan, since the company is required under law to pay the employee an amount determined pursuant to Article 2120 of the Italian Civil Code.

The portion of termination benefits accruing from January 1, 2007 allocated to a supplementary pension scheme or to the treasury fund managed by INPS (Italy’s National Social Security Institute) are treated as a defined-contribution plan since the company’s obligation towards the employee ceases upon transfer of the accruing amounts to the fund.

Therefore, starting January 1, 2007, the Group:

- continues to recognize the obligation accrued at December 31, 2006 in accordance with the rules for defined-benefit plans, i.e. using the projected unit credit method. This means that it measures the obligation for benefits accrued by employees using actuarial techniques, projecting into the future the amount to pay at the time the employment relationship is termination and discounting the accrued portion. To this end, the projected unit credit method considers each individual service period as the originator of an additional unit of termination benefits to be used in constructing the final obligation by projecting future outflows on the basis of statistical analysis of historical developments and the demographic curve, discounting those flows using a market interest rate. Total actuarial gains and losses are recognized, in line with the provisions of IAS 19, in equity, while the interest cost component of the change in the defined benefit obligation is recognized in profit or loss;
- recognizes the obligation for portions accrued starting January 1, 2007, payable to a supplementary pension scheme or to the treasury fund managed by INPS, on the basis of the contributions owed in each period, as a defined contribution plan for employee service, in profit or loss. More specifically, in the case of termination benefits payable to a supplementary pension scheme that treatment begins at the time of the choice or, if the employee does not exercise any option, as from July 1, 2007.

Recognition of revenue

Revenue is recognized when realized or, in the case of the sale of goods or services, in relation to the extent to which the performance obligation has been satisfied, as specified below.

Specifically:

- interest is recognized on an accruals basis using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- default interest, if any, is recognized through profit or loss only upon receipt;
- dividends are recognized in the income statement when their distribution is authorized;
- commissions for revenue from services are recognized in relation to the effective provision of the services to a customer, as discussed in greater detail below;
- revenue from the placement of funding instruments, calculated on the basis of the difference between transaction price and the fair value of the financial instrument, are recognized in the income statement when the transaction is recognized if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded. If these amounts cannot be easily determined or the instrument is not highly liquid, the financial instrument is recognized in an amount equal to the transaction price, excluding the commercial margin. The difference between this amount and the fair value is taken to profit or loss over the duration of the transaction through the gradual reduction in the valuation model of the corrective factor reflecting the reduced liquidity of the instrument;
- revenue from the sale of non-financial assets are recognized at the time the performance obligation is satisfied with the transfer of the asset, i.e. when the customer obtains control of the asset.

In application of IFRS 15, which was adopted as from 2018, the following steps are followed in recognizing revenue from contracts with customers:

- identification and analysis of the contract signed with the customer to identify the type of revenue. In some specific cases, multiple contracts may have to be combined and accounted for as a single contract;
- identification of the specific performance obligations in the contract. If the goods/services to be transferred are distinct, they qualify as performance obligations and are accounted for separately;
- determination of the transaction price, considering all the performance obligations in the contract. This price may be a fixed amount, but may sometimes include variable or non-monetary consideration;
- allocation of the transaction price to the performance obligations. The transaction price is allocated to the various performance obligations on the basis of the selling prices of each distinct good or service provided contractually. If it is impossible to determine the standalone selling price, it is necessary to estimate it. The assessment must be carried out as from the start date of the contract (the inception date);
- recognition of revenue when the performance obligation is satisfied. Revenue is recognized following the satisfaction of the performance obligation to the customer, i.e. when the latter obtains control of the good or service. Some revenue is recognized at a point in time, while other is accrued over time. It is therefore necessary to identify the moment in which the performance obligation is satisfied. In the case of performance obligations satisfied over time, revenue is recognized over the reference period, selecting an appropriate method to measure the progress made towards complete satisfaction of the performance obligation.

Accruals and deferrals

Accruals and deferrals reporting costs and revenue accruing in the period on assets and liabilities are recognized as adjustments to the assets and liabilities to which they refer. In the absence of such assets or liabilities, they are recognized under “Other assets” (item 120 of assets) or “Other liabilities” (item 80 of liabilities).

Expenditure for leasehold improvements

Expenses for refurbishments of buildings belonging to third parties that do not have an independent function or use are conventionally classified under “Other assets”. Amortization is performed a period that does not exceed the term of the lease and amortization charges are reported under other operating expenses.

Determination of amortized cost

Amortized cost is applied to financial assets and liabilities measured at amortized cost and to the income components of financial assets measured at fair value through other comprehensive income.

The amortized cost of a financial asset or financial liability is the value at which it is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The effective interest rate is the rate that discounts the contractual flow of future or received payments until the maturity date or the next repricing date to the present value of a financial asset or financial liability.

For instruments bearing a fixed rate or a fixed rate for periods of time, future cash flows are determined on the basis of the specified interest rate over the life of the instrument. For variable-rate financial assets or liabilities, future cash flows are determined on the basis of the last known rate. At each repricing date, the residual amortization and the effective yield over the residual useful life (i.e. until maturity) of the financial instrument are recalculated.

For purchased or originated credit-impaired financial assets (“POCI”), the effective interest rate corrected for credit risk is calculated, discounting estimated future cash flows over the expected life of the financial asset, taking of account all the contractual terms of the asset (e.g. prepayment options, call options, etc.) as well as expected credit losses.

Financial assets and liabilities transacted on market terms are initially recognized at their fair value, which normally corresponds to the amount paid or received including directly attributable transaction costs and fees: internal marginal costs and income not recoverable from customers are considered transaction costs attributable at the time of initial recognition of the instrument.

These ancillary components, which must be attributable to the individual asset or liability, affect the effective return and cause the effective interest rate to differ from the contractual interest rate: therefore, costs and income referable indiscriminately to multiple transactions and related components that they may be recognized during the life of the financial instrument are not included. Furthermore, costs that the Group incurs independently of the transaction, such as administrative, office supplies and communication costs, are not considered in the calculation of the amortized cost.

For inflation-linked BTPs - the overall performance of which does not depend solely on its real components but also on the developments in inflation, to which these bonds are indexed[28] - the measurement method adopted provides for the sterilization of the inflation effect in the calculation of the IRR and its inclusion in amortized cost, so as to generate a perfect adjustment of the value of holdings to changes in inflation. Accordingly, the value of the holding increases (or decreases) in proportion to the inflation coefficient, so that at the maturity of the security its value is equal to the redemption value.

More specifically, the methodology applied makes it possible to adjust the average carrying price of the security to the presumable redemption value by varying the associated value of the holdings in a manner consistent with the indexing parameter. In this way, the effect of inflation is accounted for in the year in which it occurs, in line with the accrual principle, and is summed with the real yield on the securities.

Since the portfolio is revalued based on the current inflation coefficient, the weighted average price between existing holdings and any purchases subsequently is determined consistently, i.e. between comparable quantities.

The fact that the effect of inflation is accounted for on an accrual basis means that:

- net interest income shows the contribution linked both to the real yield of the security (coupons and accrued interest) and the inflation component, the latter through the recognition of the portion at amortized cost deriving from the revaluation of the value of the securities held in the portfolio. This means that, for example, when a non-negligible inversion occurs in the inflation trend, the contribution of inflation-linked BTPs to net interest income could decline due to the amortized cost portion (given by the difference between the amortized cost value of holdings indexed to inflation recorded at time t compared with that recorded at time t-1), which at that point would become negative;
- net interest income may exhibit a certain variability over the 12 months of the year, since the value of the inflation index is typically cyclical and can display substantial seasonal variations. This effect can be particularly marked for securities indexed to the European inflation index ("CPTFEMU"), involving sudden changes in the inflation coefficients, especially in the months of March (negative) and May (positive). The carrying price at amortized cost, as it is calculated - as envisaged under applicable regulation - on the basis of the presumable redemption value, displays the same seasonal variations. In any event, since seasonal variations offset a 12-month time horizon, they do not generate any distortion on an annual basis.

[28] The overall performance of inflation-linked BTPs depends on two components: an a priori element, i.e. the real yield, and another linked to inflation, which determines the revaluation of coupons and principal. The value of the security is therefore made to evolve as a function of both effects.

Determination of impairment

Financial assets

At each reporting date, the Bank determines whether there is objective evidence that a financial asset or group of financial assets has incurred a significant increase in the related credit risk since initial recognition and requires the definition of a methodology for calculating the expected loss (ECL) and the related risk parameters necessary to calculate it, namely: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

The staging methodology provides for the allocation each exposure/tranche (loans and securities) to the three distinct stages on the basis of the following:

- stage 1: this includes newly issued instruments/tranches and exposures to counterparties classified as performing that, as at the reporting date, have a PD lower than or equal to a given threshold (qualifying for the low credit risk exemption) or have not experienced a significant increase in credit risk with respect to that measured the date of disbursement/purchase. The 12-month expected loss is measured for these positions;
- stage 2: this includes all performing instruments/tranches that, as at the reporting date, simultaneously:
  - have a higher PD than that specified for the low credit risk exemption;
  - have experienced a significant increase in credit risk with respect to the date of disbursement;

  In general, in the absence of a rating/PD at the reporting date the exposure is allocated in stage 2 (without prejudice to the use of additional criteria specifically adopted for the management of particular types of portfolios/positions not covered by the use of an internal rating model). In this case, the lifetime expected loss is measured;
- stage 3: this includes all instruments/tranches associated with loans/securities in default, for which the loss is calculated as the difference between the contractual cash flows and expected cash flows, discounted at the effective interest rate of the instrument (lifetime expected loss), which is essentially unchanged compared with the previous accounting standard.

A so-called grace period is also granted, under which newly disbursed exposures are conventionally classified in stage 1 for the first 3 months of the relationship, unless they derive from forbearance measures.

Furthermore, in order to reduce the volatility of allocations of exposures to the various stages, the mechanisms for transferring exposures between stages envisage a so-called 3-month probation period (the minimum period for which positions are allocated to a given stage), defined as follows:

- an exposure allocated to stage 2 can be transferred to stage 1 if at the reporting date the conditions for allocation to stage 1 are met and at least 3 continuous months have elapsed since the factors that prompted allocation to stage 2 no longer exist;
- the reclassification as performing of an exposure previously allocated to stage 3 involves direct allocation to stage 2 for at least 3 months following the return to performing status, unless events requiring reallocation to stage 3 should occur.

If at least one of the criteria for classification in stage 2 is activated for a position within the probation period, the probation period recommences from the month in which the criteria that determined the allocation to stage 2 are no longer active.

Performing forborne exposures for which the regulatory probation period of 24 months is already activated are excluded from the application of this criterion.

With regard to the securities portfolio, the functional methodology for staging performing exposures is based solely on quantitative information. Although they consist in comparing the PD/rating class at the origination date and PD/rating class at the reporting date, the approach used makes extensive use of the low credit risk (LCR) exemption for the purpose of staging exposures, even in the presence of information on credit risk measures at the date of origination. In particular, exposures with a PD lower or equal to a specified threshold at the reporting date are allocated to stage 1. Exposures associated with securities in default are classified in stage 3. With regard to expected credit loss, the risk parameters necessary for calculating that value have been distinguished by differentiating between the securities portfolio and the loan portfolio.

With regard to the securities portfolio:

- Probability of Default (PD): the PD at 12 months and multi-period PDs used underwent forward-looking conditioning;
- Loss Given Default (LGD): the unconditioned LGD measures used are the same for both stage 1 and stage 2 exposures. More specifically, and unconditioned LGD metric of 45% is used, which subsequently undergoes forward-looking conditioning;
- Exposure At Default (EAD): for the purposes of quantifying the EAD associated with each securities issue, the gross value of the exposure at the reporting dates is generally used.

With regard to the loan portfolio:

- Probability of Default (PD): the approach defined by the Group envisages:
  - the use of internal rating models to determine the transition matrix based on rating classes, conditioned to incorporate forward-looking macroeconomic scenarios and used to obtain lifetime PDs;
  - where an internal rating model is absent, calculating default rates on an annual basis, conditioned to include forward-looking macroeconomic scenarios and used to obtain cumulative lifetime PDs;
- Loss Given Default (LGD): the approach for estimating LGD developed by the Group provides for the determination of historical loss rates on closed impaired positions and the application of the so-called danger rate, conditioned by macroeconomic scenarios;
- Exposure At Default (EAD): the estimation approach for EAD differs by type of portfolio, product and stage to which the exposure has been assigned.

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

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

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

Equity securities and CIUs

Equity securities and units of collective investment undertakings, regardless of the accounting portfolio to which they are allocated, do not undergo impairment testing as they are measured at fair value.

Other non-financial assets

Property, plant and equipment and intangible assets with a finite useful life undergo impairment testing if there is evidence that the carrying amount of the asset cannot be recovered. The recoverable value is determined as the greater of the fair value of the item of property, plant and equipment or the intangible asset net of costs of disposal or the value in use, if that can be determined.

As regards real estate, fair value is mainly determined on the basis of an appraisal prepared by an independent expert.

Intangible assets recognized following acquisitions and in application of IFRS 3 at each reporting date undergo impairment testing to determine whether there is objective evidence that the asset may have incurred an impairment loss.

If there is evidence of impairment, intangible assets with a finite life undergo a new valuation to determine the recoverability of the carrying amount. Recoverable value is determined on the basis of value in use, i.e. present value, as estimated using a rate representing the time value of money, the specific risks of the asset and the margin generated by relationships in place at the valuation date over a time horizon equal to the residual term of those relationships.

Since intangible assets with an indefinite life, represented by goodwill, do not generate autonomous cash flows, they undergo annual testing of their carrying amount for the cash generating unit (CGU) to which the values were allocated in the related business combinations. The amount of any impairment is determined on the basis of the difference between the carrying amount of the CGU and the recoverable amount of the unit, represented by the greater of its fair value, net of costs of disposal, and its value in use.

The carrying amount of the CGU must be determined in a manner consistent with the criteria used to determine its recoverable amount. From the standpoint of a banking enterprise, it is not possible to determine the cash flows of a CGU without considering the flows generated by financial assets and liabilities, given that the latter represent the core business of the company. In other words, the recoverable amount of the CGUs is impacted by those cash flows and, accordingly, the carrying amount of the CGUs must be determined using the same scope of estimation used for the recoverable amount and, therefore, must include the financial assets/liabilities. To that end, these assets and liabilities must be allocated to the CGUs.

Following this approach, the carrying amount of the CGUs can be determined in terms of their contribution to consolidated shareholders’ equity, including non-controlling interests.

The value in use of a CGU is calculated by estimating the present value of the future cash flows that are expected to be generated by the CGU. Those cash flows are determined using the most recent public business plan or, in the absence of such a plan, an internal forecasting plan developed by management.

Normally, the specific forecasting period covers a maximum time horizon of three years. The flow in the final year of the forecasting period is projected forward in perpetuity, using an appropriate growth rate "g" for the purposes of the terminal value.

In calculating value in use, the cash flows must be discounted using a rate that reflects the current time value of money and the specific risks to which the asset is exposed. More specifically, the discount rates adopted incorporate current market values for the risk-free rate and equity premiums observed over a sufficiently long period of time to reflect different market conditions and business cycles. In addition, different betas are used for each CGU in consideration of the different risk levels in their respective operational environments.

With specific reference to the rights of use recognized in accordance with IFRS 16, evidence that an asset may have suffered an impairment loss may be associated both with internal factors (deterioration, obsolescence, etc.) and external factors (market value, technological changes, etc.). Failure to exercise a right of use or the subletting of the underlying asset are considered potential indicators of impairment of the right of use.

Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability between willing and knowledgeable market participants in an orderly transaction. In the definition of fair value, a key assumption is that an entity is fully operational (the assumption that an entity is a going concern) and does not have the intention or the need to liquidate, significantly reduce its operations or undertake transactions on unfavorable terms. In other words, fair value is not the amount an entity would receive or would pay in a forced transaction, an involuntary liquidation or a distress sale. Nevertheless, the fair value reflects the credit quality of the instrument as it incorporates counterparty risk.

Financial instruments

With regard to the methods for determining the fair value of financial instruments, please see the information in section A.4 - Fair value disclosures.

Non-financial assets

Investment property is primarily valued using external appraisals, considering transactions at current prices in an active market for similar properties, in the same location and condition and subject to similar conditions for rentals and other contracts.

Financial guarantees

As part of its ordinary banking operations, the Bank grants financial guarantees in the form of letters of credit, acceptances and other guarantees. Commission income earned on guarantees, net of the portion representing the recovery of costs incurred in issuing the guarantee, are recognized on an accruals basis under item 40 "Fee and commission income", taking account of the term and residual value of the guarantees.

Following initial recognition, the financial guarantees are measured as the greater of the amount of the provision covering the losses determined in accordance with the rules governing impairment and the initial recognition amount (fair value) less (where appropriate) the cumulative amount of the income that the Bank has recognized in accordance with IFRS 15 (deferred income).

Any losses and value adjustments on such guarantees are reported under item 170 "Net provisions for risks and charges: a) commitments and guarantees issued" in the income statement. Writedowns due to the impairment of guarantees issued are reported under "Provisions for risk and charges: a) commitments and guarantees issued" in liabilities in the balance sheet.

Guarantees are off-balance-sheet transactions and are reported under "Other information" in Part B of the notes to the financial statements.

Business combinations

The transfer of control of an entity (or a group of integrated activities and assets, conducted and managed together) is a business combination.

IFRS 3 requires that an acquirer be identified for all business combinations. The acquirer is the entity that obtains control over another entity or group of activities. If it is not possible to identify a controlling entity using the definition of control described earlier, such as for example in the case of an exchange of equity interests, the acquirer must be identified using other factors such as: the entity whose fair value is significantly greater, the entity that possibly pays cash or the entity that issues new equity instruments.

The acquisition (and therefore the first consolidation of the acquired entity) must be accounted for on the date on which the acquirer actually obtains control over the entity or the assets acquired. When the business combination is achieved in a single exchange transaction, the date of exchange normally coincides with the acquisition date. However, it is always necessary to check for any agreements between the parties that may involve a transfer of control before the exchange date.

The consideration transferred as part of a business combination is determined as the sum of the fair value, at the exchange date, of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash (or when payment is made using financial instruments comparable to cash) the consideration is the agreed price, possibly discounted if payment will be made in installments over a period longer than short term. If payment is made using an instrument other than cash, such as through the issue of equity instruments, the price is equal to the fair value of the means of payment net of costs directly attributable to the equity issue.

The consideration in a business combination at the acquisition date includes adjustments subordinated to future events if envisaged in the transfer agreements and only if they are probable, reliably determinable and made within the twelve months following the date of acquisition of control, while indemnities for a reduction in the value of the assets used are not included as they are already considered in the fair value of the equity instruments or as a reduction in the premium or increase in the discount on the initial issue of debt instruments, where applicable.

The costs related to the acquisition are charges that the acquirer incurs to carry out the business combination. By way of example, these include professional fees paid to auditors, experts, legal consultants, fees for appraisals and the auditing of accounts, preparation of information documents required by regulations, as well as consulting costs incurred to identify potential targets for acquisition if it is contractually established that payment is made only in the event of a successful combination, as well as the costs of registration and the issue of debt or equity securities.

The acquirer must account for the costs related to the acquisition as charges in the periods in which these costs are incurred and the services are received, with the exception of the costs of issuing equity or debt securities, which must be recognized in accordance with the provisions of IAS 32.

Business combinations are accounted for using the acquisition method, under which the identifiable assets acquired (including any intangible assets previously not recognized by the acquiree) and the identifiable liabilities assumed (including contingent liabilities) must be recognized at their respective fair values on the acquisition date. Furthermore, for each business combination, any non-controlling interests in the acquiree can be recognized at fair value (with a consequent increase in the consideration transferred) or as a proportion of the share of the non-controlling interests in the identifiable net assets of the acquiree.

If control is obtained in stages, the acquirer shall recalculate the interest previously held in the acquiree at its respective fair value on the acquisition date and record any difference with respect to the previous carrying amount through profit or loss. The excess of the consideration transferred (represented by the fair value of the assets transferred, the liabilities incurred or the equity instruments issued by the acquirer), increased by the value of any non-controlling interest (determined as indicated above), and the fair value of the interest previously held by the acquirer, over the fair value of the assets and liabilities acquired must be recognized as goodwill. However, if the latter exceed the sum of the consideration, non-controlling interest and the fair value of the interest previously held, the difference is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost net of accumulated impairment losses. For the purpose of impairment testing, the goodwill acquired in a business combination is allocated, from the acquisition date, to each cash generating unit of the Bank that is expected to benefit from the synergies of the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of the unit, the goodwill associated with the transferred asset is included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the transferred asset is determined on the basis of the relative values of the transferred asset and the part retained by the cash-generating unit.

Business combinations can be accounted for provisionally by the end of the reporting period in which the combination occurs, with the accounting to be completed within twelve months of the acquisition date.

Mergers are the form of business combination that represents the most complete form of combination, as they involve both the legal and economic unification of the participating parties.

Mergers, whether they are mergers of equals, i.e. with the establishment of a new legal entity following the combination, or the combination of one entity into another surviving entity, are treated in accordance with the criteria illustrated previously, and in particular:

- if the transaction involves the transfer of control of an entity, it is treated as a business combination within the scope of IFRS 3;
- if the transaction does not involve the transfer of control, it is accounted for by preserving the values in the financial statements of the merged entity in the surviving entity.

If the business combination, whatever its nature, is carried out for reorganizational purposes, i.e. between two or more entities or businesses that already belong to the same group and the combination does not involve a change in control regardless of the extent of non-controlling interests before and after the business combination (business combinations of entities under common control), the transaction is considered

to be without economic substance. Accordingly, in the absence of specific instructions in the IASs/IFRSs and in compliance with the presumptions of IAS 8 which require that - in the absence of a specific standard – an entity shall use of its judgment in applying an accounting policy that provides relevant, reliable, prudent information that reflects the economic substance of the transaction, such combinations are accounted for preserving the values in the financial statements of the acquiree in those of the acquirer.

A.3 – DISCLOSURES ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

Following adoption of IFRS 9, the Bank has not changed the business model it uses to manage its financial assets and, accordingly, no financial assets have been transferred between portfolios.

A.4 – FAIR VALUE DISCLOSURE

QUALITATIVE DISCLOSURES

This section provides the disclosures on the fair value of financial instruments as requested under IFRS 13, in particular paragraphs 91 and 92.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price") on the principal (or most advantageous) market, regardless of whether that price is directly observable or is estimated using a valuation technique.

Prices on an active market are the best indication of the fair value of financial instruments (Level 1 in the fair value hierarchy). In the absence of an active market or where prices are affected by forced transactions, fair value is determined on the basis of the prices of financial instruments with similar characteristics (Level 2 inputs – the comparable approach) or, in the absence of such prices as well, with the use of valuation techniques that use market inputs to the greatest extent possible (Level 2 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model).

For financial instruments measured at fair value, the Iccrea Banking Group has adopted a Group "Fair Value Policy" that assigns maximum priority to prices quoted on active markets and lower priority to the use of unobservable inputs, as the latter are more discretionary, in line with the fair value hierarchy noted above and discussed in greater detail in section A.4.3 below. The policy establishes the order of priority, the criteria and general conditions used to determine the choice of one of the following valuation techniques:

- mark to market: a valuation approach using inputs classified as Level 1 in the fair value hierarchy*;*
- comparable approach: a valuation approach based on the use of the prices of instruments similar to the one undergoing valuation, which are classified as Level 2 in the fair value hierarchy;
- mark to model: a valuation approach based on the use of pricing models whose inputs are classified as Level 2 (in the case of the exclusive use of market observable inputs) or Level 3 (in the case of the use of at least one significant unobservable input) in the fair value hierarchy.

Mark to market

Classification in Level 1 of the fair value hierarchy represents the mark-to-market approach. For an instrument to be classified in Level 1 of the fair value hierarchy, its value must be based solely on quoted prices in an active market to which the Bank has access at the time of valuation (Level 1 inputs).

A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value.

The concept of active market is a key concept in allocating a financial instrument to Level 1. An active market is a market (or dealer, broker, industrial group, pricing service or regulatory agency) in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Thus, the definition implies that the concept of active market is associated with the individual financial instrument and not the market itself, and it is therefore necessary to conduct materiality tests.

The definition of "active market" is broader than that of "regulated market": regulated markets are defined as the markets included in the list provided for by Article 63, paragraph 2, of the Consolidated Finance Act (TUF) and in the special section of the same list (see Article 67, paragraph 1, of the TUF). These markets are managed by companies authorized by CONSOB that operate in accordance with the provisions of the TUF and under the supervision of CONSOB itself.

Other markets in addition to regulated markets include organized trading systems (Multilateral Trading Systems and Systematic Internalizers) defined, pursuant to Legislative Decree 58/98, as a "set of rules and structures, including automated structures, which make exchange possible, on an ongoing or periodic basis, in order to collect and transmit orders for transactions in financial instruments and to settle these orders, for

the purpose of concluding contracts": although normally the financial instruments listed on these markets fall within the definition of instruments listed on active markets, there may be situations in which officially listed instruments are not liquid due to low trading volumes. In such cases, quoted prices cannot be considered representative of the fair value of an instrument. Generally speaking, multilateral trading facilities (MTF) can be considered active markets if they are characterized by continuous and significant trading and/or by the presence of binding prices provided by the market maker, such as to ensure the formation of prices that actually represent the fair value of the instrument.

Financial instruments are also listed on regulated markets in other countries, and therefore not regulated by CONSOB, whose prices are available daily. These prices are considered representative of the fair value of the financial instruments insofar as they represent the result of a regular transaction and not only of offers to buy or sell. Finally, other markets, while not regulated, can also be considered active markets (e.g. platforms such as Bloomberg or Markit). Electronic over-the-counter (OTC) trading circuits are considered active markets to the extent that the quotations provided actually represent the price at which a normal transaction would occur. Similarly, the quotes published by brokers are representative of fair value if they reflect the actual price level of the instrument in a liquid market (that is, they are not indicative prices, but rather binding offers).

Ultimately, in order to consider a market active, the significance of the price observed on the market itself is of particular importance and, for this reason, the following factors are considered:

- bid-ask spreads: the difference between the price at which an intermediary undertakes to sell the securities (ask) and the price at which it undertakes to buy them (bid). The larger the spread, the lower the liquidity of the market and therefore the significance of the price;
- breadth and depth of the trading book: the first concept refers to the presence of offers of large dimensions, while the depth of the book means the existence of both purchase and sell orders for numerous price levels;
- number of contributors: number of market participants providing purchase or sell offers for a specific instrument. The larger the number of active market participants, the greater the significance of the price;
- availability of information on the terms and conditions of transactions;
- price volatility: presence of daily prices of the instrument outside a certain range. The lower the volatility of the prices, the greater the significance of the price.

Comparable approach

As already noted, the fair value of financial instruments classified in Level 2 can be determined using two different approaches: the so-called comparable approach, which presupposes the use of prices quoted on active markets for similar assets or liabilities or the prices of identical assets or liabilities on inactive markets, and the model valuation approach (or mark to model), which uses valuation techniques based on observable inputs concerning the instrument itself or similar instruments.

In the case of the comparable approach, measurement is based on the prices of substantively comparable instruments in terms of risk-return, maturity and other trading conditions. The following Level 2 inputs are necessary for use of the comparable approach:

- quoted prices on active markets for similar assets or liabilities;
- quoted prices for the instrument involved or for similar instruments on inactive markets, i.e. markets in which transactions are infrequent, prices are not current, change significantly over time or among the various market makers or on which little information is made public.

If there are quoted instruments that meet all of the comparability criteria indicated here, the value of the Level 2 instrument is considered to correspond to the quoted price of the comparable instrument, adjusted if necessary for factors observable on the market.

However, if the conditions for using the comparable approach directly do not apply, the approach may still be used as an input in Level 2 mark-to-model valuations.

Mark to model approach

In the absence of quoted prices for the instrument or for comparable instruments, valuation models are adopted. Valuation models must always maximize the use of market inputs. Accordingly, they must make priority use of observable market inputs (e.g. interest rates and yield curves observable at commonly quoted intervals, volatilities, credit spreads, etc.).

In the absence of directly or indirectly observable inputs or where they are insufficient to determine the fair value of an instrument, inputs that are not observable on the market be used (discretionary estimates and assumptions). With the consequent allocation of the estimate obtained to Level 3 of the fair value hierarchy.

Thus, the technique does not give rise to a single classification within the fair value hierarchy. Depending on the observability and materiality

of the inputs used in the valuation model, an instrument could be assigned to Level 2 or Level 3.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

The Bank uses mark-to-model approaches in line with methods that are generally accepted and used in the industry. The valuation models comprise techniques based on the discounting of future cash flows and the estimation of volatility. They are reviewed both during their development and periodically thereafter in order to ensure their full consistency with the valuation objectives.

In the absence of quoted prices on active markets, financial instruments are measured as follows:

- bonds are measured using a discounted cash flow model. The discount rule based on the guarantor's yield curve is applied to these securities, failing which the sectoral curve corresponding to the rating of the security (or of the guarantor in case of unavailability) and the guarantor's product sector is used. The inputs used include yield curves and any illiquidity spread;
- structured bonds are measured using a discounted cash flow model that incorporates valuations from option pricing models. The discount rule based on the guarantor's yield curve is applied to these securities, failing which the sectoral curve corresponding to the rating of the security (or of the guarantor in case of unavailability) and the guarantor's product sector is used. The inputs used include yield curves and any illiquidity spread, as well as volatility surfaces and the correlation matrix for the underlyings;
- asset backed securities (ABS) are measured using the discounted sum of expected future cash flows. The cash flow model estimates future developments in the underlying asset portfolio, taking account of payment reports, market data and model input parameters, applying the priority of payments to obtain the expected future cash flows for the notes (interest and principal). Once the expected cash flows have been obtained, the PV of each individual note is obtained by discounting these flows using the discount margin method for variable-rate securities, or the discount yield for fixed-rate securities. The inputs used include, in addition to the government securities yield curve, the illiquidity spread and yield curves;
- derivatives on interest rates such as the various forms of IRS (IRS plain vanilla, forward starting, amortizing, etc.) are measured using a discounted cash flow model within a multi-curve valuation framework based on OIS/BC discounting;
- interest rate options, such as cap/floors and European swaptions, are measured using the Bachelier model whose market input parameters are the volatility matrix for those instruments and interest rates, within a multi-curve valuation framework based on OIS/BC discounting;
- options whose underlyings are equities and CIUs are measured using the Black&Scholes models (or models based on it, such as the Rubinstein model for forward starts and the Nengju Ju model for Asian options), which includes an estimate of volatility through interpolation by maturity and strike prices on a volatility matrix, as well as the inclusion of dividends. The inputs used are the price of the underlying equity, the volatility surface and the interest rate dividend curve. The estimate of the value uses the OIS/BC discounting approach;
- derivatives on exchange rates are measured using a discounted cash flow approach for plain-vanilla contracts or a Garman and Kohlhagen model for European options on exchange rates. The inputs are spot exchange rates and the forward points curve and volatility surfaces for plain-vanilla options. The estimate of the value uses the OIS/BC Discounting Approach;;
- derivatives on inflation, such as zero-coupon indexed inflation swaps and CPI swaps, are measured using discounted cash flow models which are in turn measured on the basis of the forward inflation curve and seasonal factors (*CPI Cash Flow Model*), within a multi-curve valuation framework based on OIS/BC discounting;
- equity securities are measured at fair value estimated using models applied in valuation practice or using balance sheet, income or mixed methods, the market multiples method or with reference to direct transactions in the same security or similar securities observed over an appropriate span of time with respect to the valuation date. They are measured at cost if their carrying amount is below the materiality thresholds set by the Group both at individual and consolidated level and in cases where the cost represents a reliable estimate of fair value (e.g. because the most recent information to evaluate fair value is not available);
- investments in CIUs other than open-end harmonized funds are generally valued on the basis of the NAVs (liquidity-adjusted if not fully representative of the fair value) made available by the asset management companies. These investments include private equity funds, real estate investment funds, bond funds and loan-based funds (impaired and performing);
- medium/long-term loans to customers are measured on the basis of a mark-to-model process using the discounted cash flow approach for the positions and other models for estimating option components where applicable;
- for medium/long-term liabilities, represented by securities for which the fair value option was chosen, the fair value is determined alternatively by either discounting the residual contractual cash flows using the zero-coupon yield curve, by applying the asset swap method or by using other yield curves deemed representative of the Bank’s credit standing.

It is also possible to apply valuation adjustments to the prices of financial instruments when the valuation technique used does not capture factors that market participants would use in estimating fair value, for example when it is necessary to ensure that the fair value reflects the

value of a transaction that could actually be carried out in a market.

The factors impacting the need for an adjustment include the complexity of the financial instrument; the credit standing of the counterparty; and the presence of any collateral agreements. In particular, the Group uses a method for calculating the CVA/DVA (Credit Value Adjustments/Debt Value Adjustments) in order to adjust the calculation of the fair value of uncollateralized derivatives in order to take account of counterparty risk (non-performance risk). The CVA/DVA is not calculated when collateral agreements have been formalized and are operational for derivatives positions.

Significant unobservable inputs used in valuing instruments in Level 3 mainly include:

- estimates and assumptions underlying the models used to measure investments in equity securities and units in CIUs;
- Probability of Default (PD) and Loss Given Default (LGD): the parameters are derived from the impairment model. They are used to measure financial instruments for disclosure purposes only;
- credit spreads: the figure is extrapolated to create sector CDS curves using regression algorithms on the basis of a panel of single-name CDS curves. The figure is used to value financial instruments for disclosure purposes only;
- the liquidity spreads used in the mark-to-model measurement of ABS.

A.4.2 VALUATION PROCESSES AND SENSITIVITY

The Bank uses sensitivity analyses of unobservable inputs conducted by the Parent Company through a stress test of all significant unobservable inputs for the different types of financial instrument. The tests are used to determine the potential changes in the fair value by category of instrument caused by realistic variations in the unobservable inputs (taking account of correlations between inputs).

A.4.3 FAIR VALUE HEIRARCHY

Under the provisions of IFRS 13, all fair value valuations must be classified within the three levels that delineate the valuation process on the basis of the characteristics and significance of the inputs used:

- Level 1: unadjusted quoted prices on an active market. Fair value is drawn directly from quoted prices observed on active markets. A financial instrument is considered to be quoted on an active market if prices are readily and regularly available and represent actual market transactions carried out on normal terms on a regulated market or MTF;
- Level 2: inputs other than the quoted prices noted above that are observable on the market either directly (prices) or indirectly (derivatives on prices). Fair value is determined using valuation techniques that provide for: a) the use of market inputs indirectly connected with the instrument being valued and derived from instruments with similar risk characteristics or quoted on inactive markets (the comparable approach); or b) that use observable inputs;
- Level 3: inputs that are not observable on the market. Fair value is determined using valuation techniques that use significant unobservable inputs, such as non-binding quotes provided by infoproviders (Mark to Model approach).

The following are normally considered Level 1:

- shares, debt securities and units of CIUs listed on regulated markets. Units of CIUs include mutual investment funds (UCITS, AIFs and restricted FIAs), SICAVs/SICAFs and ETPs (Exchange Traded Products);
- debt securities listed on Multilateral Trading Facilities (MTF) which meet the “specific requirements for multilateral trading systems” set out in MiFID II;
- debt securities whose fair value is equal to the unadjusted prices provided by brokers/market makers from an active market for an identical instrument and executable at the declared level;
- Units of CIUs whose value (NAV) is provided directly by the market operator;
- listed derivative financial instruments and issued financial liabilities whose fair value at the valuation date corresponds to the price quoted on an active market.

The following are normally considered Level 2:

- debt securities issued by national and international issuers that are not listed on an active market and are measured using approaches that mainly employ observable market inputs;
- debt securities whose fair value is equal to the prices provided by brokers/market makers determined with a valuation model based on observable market inputs;
- OTC financial derivatives entered into with institutional counterparties for which the main inputs are observable market data;

- units of CIUs whose prices are provided by the issuing entity (the so-called "soft NAV") or whose fair value is adjusted using pricing models based on observable market inputs;
- insurance policies and interest-bearing postal bonds whose fair value is approximated, respectively, by the surrender and redemption value, which under applicable regulations represent the exit prices for those instruments.
- Finally, the following are normally considered Level 3:
- debt securities not listed on an active market and measured using approaches that mainly employ unobservable inputs;
- debt securities whose fair value is equal to the prices provided by brokers/market makers determined with a valuation model based on unobservable inputs;
- equity securities and issued financial liabilities for which there are no prices quoted on active markets at the valuation date and which are mainly valued using techniques based on unobservable market data;
- OTC financial derivatives entered into with institutional counterparties and measured using pricing models similar to those used for Level 2 valuations but from which they differ in the degree of observability of the inputs used in the pricing techniques;
- financial derivatives entered into with customers for which the fair value adjustment taking account of default risk is significant with respect to the total value of the financial instrument;
- units of CIUs whose prices are provided by the issuing entity (the so-called "soft NAV") or whose fair value is adjusted using pricing models not based entirely on observable market inputs;

In general, transfers of financial instruments between Level 1 and Level 2 in the fair value hierarchy only occur in the event of changes in the market in the period considered. For example, if a market previously considered active no longer meets the minimum requirements for being considered active, the instrument will be reclassified to a lower level; in the opposite case, it will be raised to a higher level.

A.4.4 OTHER INFORMATION

The circumstances referred to in paragraphs 51, 93 letter i) and 96 of IFRS 13 do not apply to these financial statements as the Bank is not managing groups of financial assets and liabilities on the basis of its net exposure to a specific market risk (or risks) or to the credit risk of a specific counterparty and the highest and best use of a non-financial asset does not differ from its current use.

QUANTITATIVE DISCLOSURES

A.4.5 FAIR VALUE HIERARCHY

A.4.5.1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS: BREAKDOWN BY FAIR VALUE INPUT LEVEL

	31/12/2022			31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss of which	295,566	1,816,129	409,929	370,684	486,690	430,200
a) financial assets held for trading	11,521	1,732,427	184	71,096	390,794	3
b) financial assets designated as at fair value	249,872	20,948	-	272,555	22,695	-
c) other financial assets mandatorily measured at fair value	34,173	62,755	409,746	27,033	73,200	430,196
2. Financial assets measured at fair value through comprehensive income	769,093	300,295	10,088	368,242	134,005	8,426
3. Hedging derivatives	-	570,702	-	-	37,112	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**1,064,659**	**2,687,126**	**420,017**	**738,926**	**657,807**	**438,626**
1. Financial liabilities held for trading	5,017	1,724,226	-	48,985	381,872	-
2. Financial liabilities designated as at fair value	-	352,484	-	-	335,392	-
3. Hedging derivatives	-	165,494	-	-	247,018	-
Total	**5,017**	**2,242,204**	**-**	**48,985**	**964,282**	**-**

Paragraph 93 letter c) of IFRS 13 requires that, in addition to reporting the fair value hierarchy, entities shall disclose information on significant transfers between Level 1 and Level 2 and the reasons for the transfer. Please note that there were no such transfers during the period.

In addition, with regard to the quantitative impact on the determination of the fair value of financial derivative instruments, the Credit Value Adjustment (for default risk of counterparties) and the Debt Value Adjustment (for default risk of the Bank) did not give rise to any changes.

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

	Financial assets measured at fair value through profit or loss				Financial assets measured at fair value through other comprehensive income	Hedging derivatives	Property plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets at fair value	of which: c) other financial assets mandatorily measured at fair value				
1. Opening balance	**430,200**	**3**	**-**	**430,196**	**8,426**	**-**	**-**	**-**
2. Increases	**22,623**	**2,797**	**-**	**19,826**	**2,081**	**-**	**-**	**-**
2.1 Purchases	22,493	2,797	-	19,696	-	-	-	-
2.2 Profits recognized in:	130	-	-	130	2,081	-	-	-
2.2.1 Income statement	130	-	-	130	-	-	-	-
- of which: capital gains	130	-	-	130	-	-	-	-
2.2.2 Shareholders' equity	-	X	X	X	2,081	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**42,893**	**2,617**	**-**	**40,277**	**419**	**-**	**-**	**-**
3.1 Sales	2,541	2,541	-	-	124	-	-	-
3.2 Repayments	10,499	9	-	10,490	-	-	-	-
3.3 Losses recognized in:	24,921	67	-	24,854	295	-	-	-
3.3.1 Income statement	24,921	67	-	24,854	-	-	-	-
- of which: capital losses	24,878	24	-	24,854	-	-	-	-
3.3.2 Shareholders' equity	-	X	X	X	295	-	-	-
3.4 Transfers to other levels	4,933	-	-	4,933	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balance	**409,929**	**184**	**-**	**409,746**	**10,088**	**-**	**-**	**-**

With regard to paragraph 93 letter e) of IFRS 13, the table reports, for Level 3 fair value assessments only and for each category of financial instrument, a reconciliation of the opening and closing balances, with separate indication of the changes that occurred during the period and attributable to purchases, sales and gains/losses, distinguishing in the latter case between those recognized directly in profit or loss and those recognized through other comprehensive income.

Note also that during the year there were no changes in one or more inputs relating to reasonably possible alternative assumptions that would change the fair value significantly.

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

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

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

	31/12/2022				31/12/2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortized cost	51,073,505	8,096,541	36,587,165	5,808,972	48,971,725	10,615,281	33,636,011	4,776,516
2. Investment property								
3. Non-current assets and disposal groups held for sale	5,438				206,869		-	
Total	**51,078,943**	**8,096,541**	**36,587,165**	**5,808,972**	**49,178,594**	**10,615,281**	**33,636,011**	**4,776,516**
1. Financial liabilities measured at amortized cost	53,682,926	2,305,137	45,618,356	4,693,732	50,480,116	2,674,293	46,044,882	1,693,878
2. Liabilities associated with assets held for sale					182,098			
Total	**53,682,926**	**2,305,137**	**45,618,356**	**4,693,732**	**50,662,215**	**2,674,293**	**46,044,882**	**1,693,878**

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

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

During the period under review, no differences emerged between the fair values posted at the time of initial recognition and the values recalculated at the same date using valuation techniques in accordance with IFRS 9 (paragraphs B.5.1.2 A letter b).

PART B - INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS – ITEM 10

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
a) Cash	146,708	164,614
b) Current accounts and demand deposits with central banks	144,164	356,665
c) Current accounts and demand deposits with banks	670,045	693,303
Total	**960,917**	**1,214,582**

Sub-item b) includes amounts deposited on the PM account with the Bank of Italy, which is used to manage the liquidity of the Guarantee Scheme, in the amount of about €38.5 million and about €105.6 million in respect of instant payments.

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

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. On-balance-sheet assets						
1. Debt securities	**8,649**	**3**	**183**	**69,568**	**31**	**-**
1.1 structured securities	3,416	-	-	494	-	-
1.2 other debt securities	5,233	3	183	69,074	31	-
2. Equity securities	**1,912**	**-**	**-**	**730**	**-**	**3**
3. Units in collective investment undertakings	**92**	**-**	**-**	**438**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
Total (A)	**10,653**	**3**	**183**	**70,736**	**31**	**3**
B. Derivatives						
1. Financial derivatives	**868**	**1,732,424**	**-**	**359**	**390,764**	**-**
1.1 trading	868	1,732,424	-	359	390,764	-
1.2 associated with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total (B)	**868**	**1,732,424**	**-**	**359**	**390,764**	**-**
Total (A+B)	**11,521**	**1,732,427**	**183**	**71,096**	**390,794**	**3**

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

	Total 31/12/2022	Total 31/12/2021
A. On-balance-sheet assets		
1. Debt securities	**8,835**	**69,599**
a) Central banks	-	-
b) Government entities	1,593	64,455
c) Banks	3,496	2,579
d) Other financial companies	2,932	1,175
of which: insurance undertakings	-	-
e) Non-financial companies	814	1,390
2. Equity securities	**1,913**	**733**
a) Banks	898	227
b) Other financial companies	1,014	2
of which: insurance undertakings	1,014	-
c) Non-financial companies	1	505
d) Other issuers	-	-
3. Units in collective investment undertakings	**92**	**438**
4. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**10,840**	**70,771**
B. Derivatives	**-**	**-**
a) Central counterparties	1,214,843	-
b) Other	518,448	391,123
Total (B)	**1,733,291**	**391,123**
Total (A+B)	**1,744,131**	**461,893**

The distribution of assets by economic sector of the debtors or the issuers was carried out on the basis of the classification criteria provided for by the Bank of Italy.

2.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE: COMPOSITION BY TYPE

	Total 31/12/2022			Total 31/12/2021		
	L1	L2	L3	L1	L2	L3
1.Debt securities	**249,872**	**20,948**	**-**	**272,555**	**22,695**	**-**
1.1 structured securities	-	-	-	-	-	-
1.2 other debt securities	249,872	20,948	-	272,555	22,695	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**
1.1 structured securities	-	-	-	-	-	-
1.2 other	-	-	-	-	-	-
Total	**249,872**	**20,948**	**-**	**272,555**	**22,695**	**-**

The amount is entirely attributable to financial instruments subscribed by the Parent Company in accordance with the investment policy for the Ex Ante Quota of the Readily Available Funds connected with the Guarantee Scheme.

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

	Total 31/12/2022	Total 31/12/2021
1. Debt securities	**270,820**	**295,250**
a) Central banks	-	-
b) Government entities	216,187	236,177
c) Banks	54,634	55,181
d) Other financial companies	-	3,892
of which: insurance undertakings	-	-
e) Non-financial companies	-	-
2. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance undertakings	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**270,820**	**295,250**

The distribution of assets by economic sector of the debtors or the issuers was carried out on the basis of the classification criteria provided for by the Bank of Italy.

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

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**24,978**	**35,921**	**2,306**	**18,740**	**35,205**	**505**
1.1 structured securities	6,674	5,079	2,031	7,827	5,155	291
1.2 other debt securities	18,305	30,842	275	10,913	30,050	215
2. Equity securities	**9,195**	**21,463**	**9,790**	**8,292**	**37,995**	**4**
3. Units in collective investment undertakings	**-**	**5,371**	**397,645**	**-**	**-**	**429,683**
4. Loans	**-**	**-**	**5**	**-**	**-**	**5**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	5	-	-	5
Total	**34,173**	**62,755**	**409,746**	**27,033**	**73,200**	**430,196**

“Units in collective investment undertakings” includes, among others, the units of the closed-end investment funds “Securis Real Estate” managed by Investire SGR S.p.A.:

- Securis Real Estate III, in the amount of €88,771 thousand;
- Securis Real Estate II, in the amount of €98,505 thousand;
- Securis Real Estate I, in the amount of €170,827 thousand.

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

	Total 31/12/2022	Total 31/12/2021
1.Equity securities	**40,448**	**46,291**
of which: banks	5,081	4,678
of which: other financial companies	35,363	22,198
of which: non-financial companies	4	19,415
2. Debt securities	**63,205**	**54,451**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	47,971	40,599
d) Other financial companies	13,084	10,791
of which: insurance companies	995	1,118
e) Non-financial companies	2,150	3,061
3. Units in collective investment undertakings	**403,015**	**429,683**
4. Loans	**5**	**5**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	5	5
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**506,673**	**530,429**

The distribution of assets by economic sector of the debtors or the issuers was carried out on the basis of the classification criteria provided for by the Bank of Italy.

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

3.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION BY TYPE

	Total 31/12/2022			Total 31/12/2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**769,094**	**24,674**	**-**	**368,242**	**4,725**	**-**
1.1 structured securities	57,903	4,002	-	18,439	-	-
1.2 other debt securities	711,191	20,672	-	349,803	4,725	-
2. Equity securities	**-**	**275,621**	**10,088**	**-**	**129,280**	**8,426**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**769,093**	**300,295**	**10,088**	**368,242**	**134,005**	**8,426**

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

	Total 31/12/2022	Total 31/12/2021
1. Debt securities	**793,768**	**372,967**
a) Central banks	-	-
b) Government entities	624,633	302,281
c) Banks	67,296	34,370
d) Other financial companies	71,734	16,840
of which: insurance companies	-	-
e) Non-financial companies	30,105	19,476
2. Equity securities	**285,708**	**137,707**
a) Banks	264,602	120,001
b) Other issuers:	21,106	17,705
- other financial companies	18,626	15,004
of which: insurance companies	7,372	4,912
- non-financial companies	2,480	2,702
- other	-	-
3. Loans	**-**	**-**
a) Central banks	-	-
b) Government entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**1,079,476**	**510,674**

3.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: GROSS VALUE AND TOTAL WRITEOFFS

		Gross amount					Total writeoffs				Total partial writeoffs *
		Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		763,209	749,967	32,175	-	-	(250)	(1,367)	-	-	-
Loans		-	-	-	-	-	-	-	-	-	-
Total	**31/12/2022**	**763,209**	**749,967**	**32,175**	**-**	**-**	**(250)**	**(1,367)**	**-**	**-**	**-**
Total	**31/12/2021**	**357,091**	**320,406**	**16,427**	**-**	**-**	**(166)**	**(384)**	**-**	**-**	**-**

*Value to be reported for information purposes

3.3A LOANS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AMOUNT AND TOTAL WRITEOFFS

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

SECTION 4 - FINANCIAL ASSETS MEASURED AT AMORTIZED COST - ITEM 40

4.1 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN OF LOANS AND RECEIVABLES WITH BANKS

	Total 31/12/2022						Total 31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
A. Claims on central banks	**589,459**	**-**	**-**	**-**	**-**	**589,459**	**6,710,286**	**-**	**-**	**-**	**6,710,286**	**-**
1. Fixed-term deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Reserve requirements	589,459	-	-	X	X	X	6,710,286	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Due from banks	**35,064,229**	**-**	**-**	**185,932**	**33,870,543**	**811,689**	**25,461,113**	**-**	**-**	**121,890**	**24,022,736**	**1,249,137**
1. Financing	33,453,762	-	-	-	32,593,425	777,178	24,249,808	-	-	-	22,981,695	1,198,918
1.1. Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Fixed-term deposits	85,919	-	-	X	X	X	386,712	-	-	X	X	X
1.3. Other financing:	33,367,843	-	-	X	X	X	23,863,096	-	-	X	X	X
- Repurchase agreements	-	-	-	X	X	X	48,519	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Other	33,367,843	-	-	X	X	X	23,814,578	-	-	X	X	X
2. Debt securities	1,610,467	-	-	185,932	1,277,119	34,511	1,211,306	-	-	121,890	1,041,041	50,219
2.1 Structured securities	85,302	-	-	12,884	71,615	-	63,538	-	-	6,957	56,963	-
2.2 Other debt securities	1,525,165	-	-	173,048	1,205,503	34,511	1,147,768	-	-	114,933	984,077	50,219
Total	**35,653,688**	**-**	**-**	**185,932**	**33,870,543**	**1,401,148**	**32,171,399**	**-**	**-**	**121,890**	**30,733,021**	**1,249,137**

Loans connected with pool collateral operations amount to €28,655 million of which €23,682 million granted within the framework of TLTRO with the European Central Bank and included under letter “B”, item “Other financing– Other”. Securities pledged as collateral amount to €26,503 million net of the haircut applied to the various types of securities. For more information, please see the Report on Operations.

4.2 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: BREAKDOWN BY PRODUCT OF LOANS AND RECEIVABLES WITH CUSTOMERS

	Total 31/12/2022						Total 31/12/2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	Level 1	Level 2	Level 3
1. Loans	**7,041,809**	**37,446**	**-**	**-**	**2,682,992**	**4,247,080**	**5,920,779**	**62,625**	**-**	**-**	**2,611,714**	**3,378,790**
1.1. Current accounts	191,375	4,671	-	X	X	X	234,053	17,568	-	X	X	X
1.2. Repurchase agreements	728,304	-	-	X	X	X	143,286	-	-	X	X	X
1.3. Medium/long term loans	2,729,605	31,082	-	X	X	X	2,566,541	43,432	-	X	X	X
1.4. Credit cards, personal loans and loans repaid by automatic deductions from pensions/wages	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Finance leases	-	-	-	X	X	X	37	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	3,392,525	1,693	-	X	X	X	2,976,861	1,626	-	X	X	X
2. Debt securities	**8,340,551**	**11**	**-**	**7,910,609**	**33,630**	**160,745**	**10,816,771**	**152**	**-**	**10,493,390**	**291,276**	**148,589**
2.1 Structured securities	142,693	-	-	71,692	2,873	98,574	145,399	-	-	69,584	7,583	102,239
2.2 Other debt securities	8,197,859	11	-	7,838,917	30,757	62,171	10,671,372	152	-	10,423,806	283,693	46,350
Total	**15,382,360**	**37,457**	**-**	**7,910,609**	**2,716,622**	**4,407,824**	**16,737,550**	**62,777**	**-**	**10,493,390**	**2,902,990**	**3,527,379**

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

	Total 31/12/2022			Total 31/12/2021		
	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired	Stage 1 and 2	Stage 3	of which: purchased or originated credit-impaired
1. Debt securities	**8,340,551**	**11**	**-**	**10,816,771**	**152**	**-**
a) Government entities	8,059,888	-	-	10,545,272	-	-
b) Other financial companies	204,294	-	-	199,109	-	-
of which: insurance companies	7,281	-	-	6,673	-	-
c) Non-financial companies	76,369	11	-	72,391	152	-
2. Loans to:	**7,041,809**	**37,446**	**-**	**5,920,779**	**62,625**	**-**
a) Government entities	5,858	-	-	14	-	-
b) Other financial companies	4,074,587	1,543	-	3,177,531	1,853	-
of which: insurance companies	23	-	-	-	-	-
c) Non-financial companies	2,789,179	31,742	-	2,605,327	53,735	-
d) Households	172,184	4,160	-	137,907	7,037	-
Total	**15,382,360**	**37,457**	**-**	**16,737,550**	**62,777**	**-**

4.4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST: GROSS AMOUNT AND TOTAL WRITEOFFS

		Gross amount					Total writeoffs				
		Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Partial writeoffs*
Debt securities		9,848,186	7,104,323	111,282	217	-	(2,287)	(6,164)	(206)	-	-
Loans		40,379,439	755,868	760,223	153,987	-	(18,357)	(36,275)	(116,541)	-	(29,478)
Total	**31/12/2022**	**50,227,625**	**7,860,191**	**871,505**	**154,204**	**-**	**(20,644)**	**(42,438)**	**(116,747)**	**-**	**(29,478)**
Total	**31/12/2021**	**47,787,863**	**10,764,296**	**1,210,782**	**269,962**	**-**	**(23,165)**	**(66,532)**	**(207,185)**	**-**	**(24,681)**

*Reported for disclosure purposes.

4.4A LOANS MEASURED AT AMORTIZED COST INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AMOUNT AND TOTAL WRITEOFFS

	Gross amount					Total writeoffs				Partial writeoffs*
	Stage 1	of which: instruments with low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
1. Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-
2 Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	-	59,947	23,738	-	-	(3,944)	(19,471)	-	-
4. New loans	499,138	-	62,630	4,019	-	(1,847)	(1,346)	(1,630)	-	-
Total 31/12/2022	**499,138**	**-**	**122,577**	**27,757**	**-**	**(1,847)**	**(5,289)**	**(21,101)**	**-**	**-**
Total 31/12/2021	**383,879**	**-**	**221,348**	**30,961**	**-**	**(2,125)**	**(13,979)**	**(19,655)**	**-**	**-**

SECTION 5 – HEDGING DERIVATIVES - ITEM 50

5.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND LEVEL OF INPUT

	FV 31/12/2022			NV 31/12/2022	FV 31/12/2021			NV 31/12/2021
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1. Fair value	-	570,702	-	4,889,441	-	37,029	-	3,303,997
2. Cash flows	-	-	-	-	-	84	-	80,000
3. Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**570,702**	**-**	**4,889,441**	**-**	**37,112**	**-**	**3,383,997**

Key:
NV=notional value
L1=Level 1
L2= Level 2
L3= Level 3

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

	Fair value							Cash flows		Investments in foreign operations
	Specific						Generic	Specific	Generic	
	debt securities and interest rates	equity securities and equity indices	currencies and gold	loans	commodities	other				
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets measured at amortized cost	570,378	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	323	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**570,378**	**-**	**-**	**-**	**-**	**-**	**323**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

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

6.1 VALUE ADJUSTMENTS OF HEDGED ASSETS: COMPOSITION OF HEDGED PORTFOLIOS

	Total 31/12/2022	Total 31/12/2021
1. Positive adjustments	**-**	**-**
1.1 of specific portfolios:	-	-
a) financial assets measured at amortized cost	-	-
b) financial assets measured at fair value through comprehensive income	-	-
1.2 comprehensive	-	-
2. Negative adjustments	**(1,101)**	**(607)**
2.1 of specific portfolios:	(1,101)	(607)
a) financial assets measured at amortized cost	-	-
b) financial assets measured at fair value through comprehensive income	(1,101)	(607)
2.2 comprehensive	-	-
Total	**(1,101)**	**(607)**

SECTION 7 – EQUITY INVESTMENTS – ITEM 70

7.1 EQUITY INVESTMENTS: INFORMATION ON INVESTMENTS

	Registered office	Operational headquarters	% holding	% votes
A. Subsidiaries				
Iccrea BancaImpresa S.p.A.	Rome	Rome	100.0	100.0
BCC Beni Immobili Srl	Milan	Rome	100.0	100.0
BCC Factoring S.p.A.	Rome	Milan	100.0	100.0
BCC POS S.p.A.	Rome	Rome	100.0	100.0
BCC Sistemi Informatici S.p.A.	Milan	Milan	100.0	100.0
BCC Risparmio e Previdenza SGrpA	Milan	Milan	100.0	100.0
BCC Gestione Crediti S.p.A.	Rome	Rome	100.0	100.0
BCC Solutions S.p.A.	Rome	Rome	100.0	100.0
BCC CreditoConsumo S.p.A.	Rome	Udine	100.0	100.0
Sinergia S.p.A.	Milan	Treviglio	100.0	100.0
BCC Servizi Assicurativi Srl	Milan	Milan	100.0	100.0
Banca Sviluppo S.p.A.	Rome	Rome	99.3	99.3
Iccrea Covered Bond	Rome	Rome	90.0	90.0
Banca MedioCredito FVG S.p.A.	Udine	Udine	100.0	100.0
Bit - Servizi per L'Investimento sul Territorio	Parma	Parma	82.8	97.4
BCC della Calabria Ulteriore (Incorporante di BCC Vibonese – BCC del Crotonese – BCC di Cittanova)	Crotone	Crotone	36.8	92.5
Banca Centropadana Credito Cooperativo S.C.	Lodi	Lodi	34.6	97.8
Banca Terre Etrusche Di Valdichiana e di Maremma (Incorporante di BCC Valdichiana)	Chiusi	Chiusi	58.1	98.6
Banca Centro (Incorporante di Vival Banca)	Pistoia	Pistoia	32.9	96.6
BCC di Taranto e Massafra (Incorporante di BCC Massafra)	Massafra	Massafra	13.8	91.4
Banca di Pisa e Fornacette Credito Cooperativo S.C.	Pisa	Pisa	41.4	96.7
B. Joint ventures				
C. Companies subject to significant influence				
Hbenchmark Srl	Vicenza	Vicenza	10.0	10.0
Pitagora S.p.A.	Turin	Turin	9.9	9.9
Vorvel Sim S.p.A. (già Hi-Mtf S.p.A.)	Milan	Milan	20.0	20.0
BCC Vita S.p.A.	Milan	Milan	30.3	30.0
BCC Assicurazioni S.p.A.	Milan	Milan	30.3	29.9
Pay Holding S.p.A.	Milan	Milan	40.0	40.0
Real Estate Roma Olgiata Srl	Rome	Rome	10.0	10.0

The equity investments held in the mutual banks referred to above are attributable to the funding initiatives (Article 150-ter of the Consolidated Banking Act) subscribed pursuant to Article 6 of the Cohesion Contract concerning the Guarantee Scheme, which were subscribed in part by the Parent Company.

7.2 SIGNIFICANT EQUITY INVESTMENTS: CARRYING AMOUNT, FAIR VALUE AND DIVIDENDS RECEIVED

The table has not been completed because the Bank prepares consolidated financial statements pursuant to the provisions of Circular 262 of December 22, 2005 - 7th update of October 29, 2021.

7.3 SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

The table has not been completed because the Bank prepares consolidated financial statements pursuant to the provisions of Circular 262 of December 22, 2005 - 7th update of October 29, 2021.

7.4 NON-SIGNIFICANT EQUITY INVESTMENTS: ACCOUNTING DATA

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

7.5 EQUITY INVESTMENTS: CHANGE FOR THE PERIOD

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**998,822**	**1,206,207**
B. Increases	**593,756**	**228,488**
B.1 Purchases	592,232	155,717
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other increases	1,524	72,771
C. Decreases	**23,956**	**435,873**
C.1 Sales	21,100	8,426
C.2 Impairment losses	2,056	77,447
C.3 Writedowns	-	-
C.4 Other decreases	800	350,000
D. Closing balance	**1,568,623**	**998,822**
E. Total revaluations	**-**	**-**
F. Total impairment losses	**200,305**	**198,249**

The sub-item "B.1 Purchases" refers to:

- the subscription of capital increase of BCC Servizi Assicurativi Srl (+€265.0 million as part of the reorganization of the Group's "bancassurance" segment; see the Consolidated Report on Operations), and Iccrea BancaImpresa S.p.A. (+€70.0 million);
- the acquisition of new investments in Banca Mediocredito FVG (+€26.6 million previously held by the region of Friuli Venezia Giulia);
- the acquisition of a new investment in Pay Holding S.p.A. (+€180.1 million as part of the repositioning of the group's e-money operations. For more information, please see the following section) and BCC POS S.p.A. (+€2.0 million);
- the subscription of shares issued by Banca di Pisa e Fornacette (+€21.0 million) and Banca Centropadana (+€7.0 million) pursuant to Art. 150-ter of the Consolidated Banking Act as the manager of the Guarantee Scheme;

The sub-item "C.1 Sales" is entirely attributable to the sale of the interest held in BCC PAY S.p.A. (-€21.1 million);

The sub-item "C.2 Impairment losses" mainly reflects the impairment recognized on the interest held in Banca Sviluppo (-€1.8 million).

Impairment testing of equity investments

As required by the IFRS, in the presence of triggers that could indicate possible impairment, equity investments undergo impairment testing to assess whether there is objective evidence indicating that the carrying amount of such assets is not fully recoverable and determine the amount of any writedown.

Impairment indicators can essentially be divided into two categories:

- qualitative indicators such as the posting of losses or significant divergences in performance from budget objectives or targets in long-term plans, the announcement/initiation of insolvency proceedings or restructuring plans or a downgrading by a specialized agency;
- quantitative indicators, represented by a reduction in fair value below the carrying amount of more than 30% or for more than 24 months, a carrying amount of an equity investment in the separate financial statements that exceeds the carrying amount in the consolidated financial statements of the net assets and goodwill of the investee or the distribution by the latter of a dividend in excess of its comprehensive income. If there is evidence of impairment, the amount of any impairment loss is determined on the basis of the difference between the carrying amount and the recoverable value, with the latter represented by the greater between the fair value less any costs to sell and the value in use.

As regards the investments held by Iccrea Banca where there is a difference between the carrying amount recognized in the separate financial statements and the fraction of equity recognized in the financial statements of the subsidiary, the impairment tests have been updated.

More specifically, the recoverability of the carrying amount was assessed with various methods, including shareholders' equity, market multiples, the dividend discount model, equity with inclusion of funding and appraisal value.

For more information on impairment testing, please see Part A – Accounting Policies of the notes to the financial statements.

7.6 COMMITMENTS IN RESPECT OF INVESTMENTS IN JOINT VENTURES

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

7.7 COMMITMENTS IN RESPECT OF INVESTMENTS IN COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

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

7.8 SIGNIFICANT RESTRICTIONS

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

7.9 OTHER INFORMATION

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

SECTION 8 - PROPERTY, PLANT AND EQUIPMENT – ITEM 80

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

	Total 31/12/2022	Total 31/12/2021
1. Owned assets	**201**	**226**
a) land	-	-
b) building	-	-
c) movables	190	187
d) electrical plants	9	11
e) other	3	28
2. Right-of-use assets acquired under finance leases	**2,300**	**4,025**
a) land	-	-
b) building	245	526
c) movables	-	-
d) electrical plants	-	-
e) other	2,056	3,499
Total	**2,502**	**4,251**
of which: obtained through enforcement of guarantees received	-	-

8.2 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT COST

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

8.3 OPERATING PROPERTY, PLANT AND EQUIPMENT: COMPOSITION OF REVALUED ASSETS

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

8.4 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT FAIR VALUE

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

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

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

8.6 OPERATING PROPERTY, PLANT AND EQUIPMENT: CHANGE FOR THE PERIOD

	Land	Buildings	Movables	Electronic plant	Other	Total
A. Opening gross balance	**-**	**2,317**	**3,146**	**163**	**12,865**	**18,492**
A.1 Total net writedown	-	1,791	2,959	152	9,338	14,241
A.2 Opening net balance	**-**	**526**	**187**	**11**	**3,527**	**4,251**
B. Increases:	**-**	**159**	**12**	**7**	**260**	**438**
B.1 Purchases	-	85	-	-	117	202
- of which business combinations	-	-	-	-	-	-
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value gains recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	X	X	X	-
B.7 Other changes	-	74	12	7	142	235
C. Decreases:	**-**	**441**	**10**	**9**	**1,728**	**2,187**
C.1 Sales	-	-	-	-	-	-
- of which business combinations	-	-	-	-	-	-
C.2 Depreciation	-	407	9	9	1,534	1,960
C.3 Writedowns for impairment recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value losses recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	X	X	X	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	34	-	-	194	227
D. Closing net balance	**-**	**245**	**190**	**9**	**2,059**	**2,502**
D.1 Total net writedowns	-	1,933	2,807	327	5,304	10,371
D.2 Closing gross balance	**-**	**2,178**	**2,997**	**335**	**7,363**	**12,873**
E. Measurement at cost	-	-	-	-	-	-

8.7 INVESTMENT PROPERTY: CHANGE FOR THE PERIOD

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

8.8 INVENTORIES OF PROPERTY, PLANT AND EQUIPMENT WITHIN THE SCOPE OF IAS 2: CHANGE FOR THE PERIOD

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

8.9 COMMITMENTS TO ACQUIRE PROPERTY, PLANT AND EQUIPMENT

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

SECTION 9 – INTANGIBLE ASSETS – ITEM 90

9.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	Total 31/12/2022		Total 31/12/2021	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**-**	**X**	**-**
A.2 Other intangible assets	**536**	**-**	**822**	**-**
Of which: Software	536	-	822	-
A.2.1 Assets carried at cost	536	-	822	-
a) internally generated intangible assets	-	-	-	-
b) other assets	536	-	822	-
A.2.2 Assets designated at fair value	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
Total	**536**	**-**	**822**	**-**

9.2 INTANGIBLE ASSETS: CHANGE FOR THE PERIOD

	Goodwill	Other intangible assets internally generated		Other intangible assets: other		Total
		Finite life	Indefinite life	Finite life	Indefinite life	
A. Opening balance	**-**	**-**	**-**	**822**	**-**	**822**
A.1 Total net writedown	-	-	-	-	-	-
A.2 Opening net balance	**-**	**-**	**-**	**822**	**-**	**822**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Purchases	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Fair value gains recognized in	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**287**	**-**	**287**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	287	-	287
- Amortization	X	-	-	287	-	287
- Impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Fair value losses recognized in	-	-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**-**	**-**	**-**	**536**	**-**	**536**
D.1 Total net writedown	-	-	-	-	-	-
E. Closing gross balance	**-**	**-**	**-**	**536**	**-**	**536**
F. Measurement at cost	-	-	-	-	-	-

9.3 INTANGIBLE ASSETS: OTHER INFORMATION

Under the provisions of IAS 38, paragraphs 122 and 124, we report:

- there are no revalued intangible assets; consequently, there are no impediments to the distribution to shareholders of gains on revalued intangible assets (IAS 38, paragraph 124, letter b);
- there are no intangible assets acquired with government grants (IAS 38, paragraph 122, letter c);
- there are no intangible assets pledged as security for liabilities (IAS 38, paragraph 122, letter d);
- there are no intangible assets involved in lease transactions.

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

10.1 DEFERRED TAX ASSETS: COMPOSITION

	31/12/2022		Total	31/12/2021		Total
	IRES	IRAP		IRES	IRAP	
1) Recognized in income statement	**11,774**	**20**	**11,795**	**10,977**	**23**	**11,001**
a) DTA pursuant to Law 214/2011	**1,689**	**20**	**1,709**	**1,945**	**23**	**1,969**
Total	1,689	20	1,709	1,945	23	1,969
Goodwill and other intangible assets recognized at 31.12.2014	-	-	-	-	-	-
Tax losses/negative value of production as per Law 214/2011	-	-	-	-	-	-
b) Other	**10,085**	**-**	**10,085**	**9,032**	**-**	**9,032**
Writedowns of amounts due from banks	357	-	357	1,629	-	1,629
Writedowns of loans to customers	82	-	82	96	-	96
Goodwill and other intangible assets	-	-	-	-	-	-
Tax losses	-	-	-	-	-	-
Writedowns of financial assets held for trading and financial assets measured at fair value	-	-	-	-	-	-
Writedowns of securities in circulation	-	-	-	-	-	-
Writedowns of financial liabilities held for trading and financial liabilities measured at fair value	-	-	-	-	-	-
Writedowns of impairment of guarantees issued recognized under liabilities	7,392	-	7,392	4,341	-	4,341
Provisions for risks and charges	2,155	-	2,155	2,903	-	2,903
Costs of predominantly administrative nature	-	-	-	-	-	-
Difference between tax value and carrying amount of property, plant and equipment and intangible assets	-	-	-	-	-	-
Other	100	-	100	64	-	64
- Recognized in shareholders' equity	**16,878**	**3,344**	**20,222**	**3,386**	**622**	**4,007**
a) Valuation reserves:	**7,284**	**1,475**	**8,759**	**979**	**198**	**1,178**
Capital losses on financial assets measured through OCI	7,284	1,475	8,759	979	198	1,178
b) Other:	**9,594**	**1,869**	**11,463**	**2,406**	**423**	**2,830**
Actuarial gains/losses on provisions for employees	366	-	366	316	-	316
Other	9,228	1,869	11,097	2,090	423	2,513
A. Total deferred tax assets	**28,652**	**3,365**	**32,017**	**14,363**	**645**	**15,008**
B. Offsetting with deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**
C. Net deferred tax assets - Total 100 b)	**28,652**	**3,365**	**32,017**	**14,363**	**645**	**15,008**

10.2 DEFERRED TAX LIABILITIES: COMPOSITION

	31/12/2022		Total	31/12/2021		Total
	IRES	IRAP		IRES	IRAP	
1) Deferred tax liabilities recognized in income statement:	**-**	**-**	**-**	**-**	**-**	**-**
Writedowns of loans to customers deducted in separate section of tax return (not recognized in income statement)	-	-	-	-	-	-
Difference between value for tax purposes and carrying amount of property, plant and equipment and intangible assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
2) Deferred tax liabilities recognized in shareholders' equity:	**2,747**	**556**	**3,304**	**1,372**	**278**	**1,650**
Valuation reserves:						
Capital gains on financial assets measured through OCI	-	-	-	1,372	278	1,650
Revaluation of property	-	-	-	-	-	-
Other	2,747	556	3,304	-	-	-
A. Total deferred tax liabilities	**2,747**	**556**	**3,304**	**1,372**	**278**	**1,650**
B. Offsetting with deferred tax assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Net deferred tax assets -Total sub-item 60 b)	**2,747**	**556**	**3,304**	**1,372**	**278**	**1,650**

10.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN INCOME STATEMENT)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**11,001**	**21,907**
2. Increases	**8,703**	**4,996**
2.1 Deferred tax assets recognized during the period	8,703	4,996
a) in respect of previous period	4,704	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	3,999	4,996
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**7,909**	**15,902**
3.1 Deferred tax assets derecognized during the period	7,909	6,051
a) reversals	7,909	6,051
b) writedowns for supervening non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	9,852
a) transformation in tax credits pursuant to Law 214/2011	-	220
b) other	-	9,631
4. Closing balance	**11,795**	**11,001**

10.3 BIS CHANGES IN DEFERRED TAX ASSETS PURSUANT TO LAW 214/2011

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**1,969**	**2,472**
2. Increases	**-**	**-**
3. Decreases	**259**	**503**
3.1 Reversals	259	283
3.2 Conversion into tax credits	-	220
a) arising from losses for the year	-	92
b) arising from tax losses	-	128
3.3 Other decreases	-	-
4. Closing balance	**1,709**	**1,969**

10.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN INCOME STATEMENT)

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

10.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**4,007**	**7,594**
2. Increases	**16,215**	**-**
2.1 Deferred tax assets recognized during the period	16,215	-
a) in respect of previous periods	50	-
b) due to change in accounting policies	-	-
c) other	16,165	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**3,587**
3.1 Deferred tax assets derecognized during the period	-	3,587
a) reversals	-	3,587
b) writedowns for supervening non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**20,222**	**4,007**

10.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	Total 31/12/2022	Total 31/12/2021
1. Opening balance	**1,650**	**1,173**
2. Increases	**1,654**	**476**
2.1 Deferred tax liabilities recognized during the period	1,654	476
a) in respect of previous periods	-	-
b) due to change in accounting policies	-	-
c) other	1,654	476
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognized during the period	-	-
a) reversals	-	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**3,304**	**1,650**

10.7 OTHER INFORMATION

As regards the Bank's tax position:

- for the financial years 2017, 2018, 2019, 2020 and 2021 (for which the tax assessment time limit has not expired), no formal notice of assessment has yet been received;
- in November 2014, the Bank received a notice of liquidation from the Revenue Agency, Provincial Directorate of Brescia for the year 2013 concerning the registration fees of €104,770.00 for an order assigning amounts for seizure by third parties. Following adverse rulings in the first two levels of adjudication, the Bank has appealed to the Court of Cassation.

At the reporting date, the Bank conducted a probability test in order to verify whether the conditions existed for maintaining the registration of existing and newly recognized deferred tax assets.

With regard to the probability test conducted:

- the tax income or loss (IRES/IRAP) was estimated over a five-year forecast period (from 2023-2027);
- and the sufficiency of the estimated taxable income to absorb the temporary deductible differences that will be reversed in the reference period was verified and gave rise to the recognition of DTAs.

The test did not consider deferred tax assets associated with Law 214/2011, as they can be transformed into a tax credit, and those which are likely to be reversed in periods subsequent to those adopted as the time horizon used. Since the total estimated taxable income for the analysis period was equal to or greater than the taxable income attributable to the deferred tax assets being tested, the probability test was passed.

In addition, with regard to DTAs reversing subsequent to the aforementioned time horizon, a further assessment was carried out that demonstrated their recoverability within the forecast period of the plan.

The estimations and assumptions concerning the recoverability of deferred tax assets were made on the basis of the latest approved strategic plan, which incorporates the forecasts contained in the macroeconomic scenario provided to all the companies in scope, developing its commercial dynamics and the associated evolution in performance and financial position.

	31/12/2022				31/12/2021			
	IRES	IRAP	Other	Total	IRES	IRAP	Other	Total
Current tax liabilities (-)	(9,877)	(5,702)	-	(15,579)	(1,036)	(4,263)	-	(5,300)
Payments on account (+)	-	-	-	-	-	-	-	-
Other tax receivables (+)	36,507	8,598	-	45,105	36,322	12,537	-	48,859
Tax credit pursuant to Law 214/2011 (+)	5,533	-	-	5,533	10,357	-	-	10,357
Withholding tax (+)	-	-	-	-	-	-	-	-
Debtor balance of item 60 a) of liabilities	-	-	-	-	-	-	-	-
Creditor balance	**32,163**	**2,896**	**-**	**35,060**	**45,643**	**8,273**	**-**	**53,916**
Non-offsettable tax receivables: principal	-	-	-	-	-	-	-	-
Non-offsettable tax receivables: interest	-	-	-	-	-	-	-	-
Balance of non-offsettable tax receivables	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**
Creditor balance of item 110 a) of assets	**32,163**	**2,896**	**-**	**35,060**	**45,643**	**8,273**	**-**	**53,916**

SECTION 11 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 110 OF ASSETS AND ITEM 70 OF LIABILITIES

11.1 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE: COMPOSITION BY TYPE

	31/12/2022	31/12/2021
A. Assets held for sale		
A.1 Financial assets	5,438	645
A.2 Equity investments	-	-
A.3 Property, plant and equipment	-	48
of which: obtained through enforcement of guarantees received	-	-
A.4 Intangible assets	-	2,709
A.5 Other non-current assets	-	203,467
Total A	**5,438**	**206,869**
of which carried at cost	5,438	206,869
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss	-	-
- Financial assets held for trading	-	-
- Financial assets designated as at fair value	-	-
- Other financial assets mandatorily measured at fair value	-	-
B.2 Financial assets measured at fair value through other comprehensive income	-	-
B.3 Financial assets measured at amortized cost	-	-
B.4 Equity investments	-	-
B.5 Property, plant and equipment	-	-
of which: obtained through enforcement of guarantees received	-	-
B.6 Intangible assets	-	-
B.7 Other assets	-	-
Total B	**-**	**-**
of which carried at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
C. Liabilities associated with assets held for sale		
C.1 Debt	-	115,644
C.2 Securities	-	-
C.3 Other liabilities	-	66,454
Total C	**-**	**182,098**
of which carried at cost	-	182,098
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-
D. Liabilities associated with discontinued operations		
D.1 Financial liabilities measured at amortized cost	-	-
D.2 Financial liabilities held for trading	-	-
D.3 Financial liabilities designated as at fair value	-	-
D.4 Provisions	-	-
D.5 Other liabilities	-	-
Total D	**-**	**-**
of which carried at cost	-	-
of which measured at fair value level 1	-	-
of which measured at fair value level 2	-	-
of which measured at fair value level 3	-	-

During the period, the Bank classified a portfolio of non-performing loans (previously classified under Loans to customers) under “Non-current assets and disposal groups held for sale and associated liabilities”. The loans were involved in both non-recourse assignments and contributions to an investment fund (FIA); for more information please see Part A of these notes.

In 2021, the item included assets and liabilities of the electronic money operations, sold to BCC PAY S.p.A. in 2022.

11.2 OTHER INFORMATION

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

SECTION 12 - OTHER ASSETS – ITEM 120

12.1 OTHER ASSETS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
- Receivables for future premiums on derivatives	8,480	9,243
- Fees and commissions and interest to be received	45,670	5,224
- Tax receivables due from central govt. tax authorities and other tax agencies (including VAT credits)	29,364	32,582
- Tax receivables	177,339	203,498
- Items in transit between branches and items being processed	151,669	40,071
- Financial assets in respect of loans granted for a specific transaction	84,771	70,504
- Accrued income not attributable to separate line item	81	60
- Prepaid expenses not attributable to separate line item	4,131	5,602
- Subsidiaries – Group VAT	4,258	10,187
- Tax consolidation mechanism	31,323	20,121
- Other (security deposits, assets not attributable to other items)	105,424	80,769
Total	**642,509**	**477,861**

"Tax receivables" reports tax credits connected with the Superbonus 110% program, which were mainly assigned by the mutual banks in accordance with the provisions of Decree Law 18/2020 and Decree Law 34/2020.

The item "Financial assets in respect of loans granted for a specific transaction" regards the Parent Company's contribution to the Guarantee Scheme. Mirroring the recognition of amounts under "Other liabilities", €8.2 million was recognized under "Financial assets in respect of loans granted for a specific transaction" in respect of current account liquidity generated by the cash flows connected with targeted loans pursuant to Art. 2447 bis letter b) and 2447 decies of the Civil Code originally granted by the EIB as part of the following initiatives:

- JESSICA POR FESR 2007-2013 for urban development and energy efficiency projects located in the region of Sicily (original amount equal to €53.2 million) and the region of Campania (contractual amount of €31.7 million paid in two tranches of about €15.9 million each);
- StudioSi – an Intelligent Specialization Fund launched at the end of 2020 to promote broad participation in university specialist training, in particular for residents of the South, financed with resources from the 2014-2020 Research and Innovation NOP (contractual resources of €46.5 million co-managed with BCC CreditoConsumo S.p.A., which handles business development and credit management given its specialization in consumer credit);
- EFSI - Sicily Business Emergency Fund activated in 2022 to support the recovery of Sicilian SMEs affected by the COVID-19 emergency, especially in the tourism sector, drawing on resources from the POR FESR Sicila 2014-2020 (contractual resources of €50 million).

As at 31 December 2022, in accordance with the provisions of Art. 2447 decies of the Civil Code, the cash and accounting flows connected with repayments of installments, interest payments as well as current account accruals on the loans granted are entirely segregated from the Bank's ordinary activities, being allocated to dedicated current accounts for each of the activities in question. The accounts are held with Banca Sviluppo, which acts as custodian bank. Following the termination of the contractual relationship between the EIB and the Region of Sicily on March 31, 2017, the latter took over (pursuant to Art. 1406 et seq. of the Civil Code) the relationship with Iccrea BancaImpresa first and Iccrea Banca later connected with the JESSICA program.

LIABILITIES

SECTION 1 - FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST – ITEM 10

1.1 FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST- DUE TO BANKS: COMPOSITION BY TYPE

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Due to central banks	**26,290,563**	X	X	X	**21,049,571**	X	X	X
2. Due to banks	**15,302,945**	X	X	X	**18,287,509**	X	X	X
2.1 Current accounts and demand deposits	5,472,242	X	X	X	3,896,383	X	X	X
2.2 Fixed term deposits	9,365,243	X	X	X	13,531,501	X	X	X
2.3 Loans	191,118	X	X	X	687,050	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	448,517	X	X	X
2.3.2 Other	191,118	X	X	X	238,533	X	X	X
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	-	X	X	X	-	X	X	X
2.6 Other payables	274,342	X	X	X	172,575	X	X	X
Total	**41,593,508**	**-**	**38,686,658**	**2,032,205**	**39,337,080**	**-**	**39,772,252**	**506,468**

The item "Due to central banks" mainly represents financing from the ECB (TLTRO).

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

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Current accounts and demand deposits	1,258,602	X	X	X	829,417	X	X	X
2. Fixed-term deposits	-	X	X	X	-	X	X	X
3. Loans	6,975,584	X	X	X	6,094,575	X	X	X
3.1 Repurchase agreements	6,383,649	X	X	X	5,594,575	X	X	X
3.2 Other	591,935	X	X	X	500,000	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease liabilities	2,335	X	X	X	4,203	X	X	X
6. Other liabilities	427,444	X	X	X	466,202	X	X	X
Total	**8,663,966**	**-**	**6,041,940**	**2,661,527**	**7,394,398**	**-**	**5,141,479**	**1,187,410**

The sub-item "Repurchase agreements" is composed entirely of transactions with the Clearing and Guarantee Fund.

The item "Other payables" mainly comprises bankers' drafts issued but not yet presented for settlement.

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

	Total 31/12/2022				Total 31/12/2021			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	3,425,452	2,305,137	889,758	-	3,748,638	2,674,293	1,131,152	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	3,425,452	2,305,137	889,758	-	3,748,638	2,674,293	1,131,152	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**3,425,452**	**2,305,137**	**889,758**	**-**	**3,748,638**	**2,674,293**	**1,131,152**	**-**

The item comprises bonds issued by the Bank and hedged against interest rate risk using derivatives, the amount of which is adjusted by changes in fair value attributable to the hedged risk accrued as of the reporting date, as well as unhedged bonds issued measured at amortized cost. The fair value of securities issued is calculated by discounting future cash flows using the swap yield curve as at the reporting date.

The sub-item “1.2 Bonds - other” includes subordinated securities amounting to €715 million.

1.4 BREAKDOWN OF SUBORDINATED DEBT/SECURITIES

	31/12/2022	31/12/2021
A.1 Subordinated debt	**-**	**-**
- banks	-	-
- customers	-	-
B.1 Subordinated securities	**715,010**	**700,364**
- banks	715,010	700,364
- customers	-	-
Total	**715,010**	**700,364**

At December 31, 2022 the item includes two subordinated loans with the following features:

- issue date November 28, 2019, Maturity date November 28, 2029, residual nominal value at December 31, 2022: €397.54 million, interest rate 4.125%, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption;
- issue date October 18, 2021, Maturity date January 18, 2032, residual nominal value at December 31, 2022: €298.84 million, interest rate 4.75%, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption.

1.5 BREAKDOWN OF STRUCTURED DEBT

As at the reporting date the Bank did not hold structured securities.

1.6 LIABILITIES IN RESPECT OF FINANCE LEASES

Right of use	Falling due within 5 years	Falling due after 5 years
Land	-	-
Buildings	245	-
Movables	-	-
Electrical plant	-	-
Other	2,090	-

SECTION 2 - FINANCIAL LIABILITIES HELD FOR TRADING - ITEM 20

2.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	3,318	3,334	-	-	3,334	48,692	48,507	198	-	48,705
2. Due to customers	1,933	1,602	-	-	1,602	330	193	1	-	194
3. Debt securities	-	-	-	-		-	-	-	-	X
3.1 Bonds	-	-	-	-		-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3. Other	-	-	-	-		-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**5,251**	**4,936**	**-**	**-**	**4,936**	**49,022**	**48,701**	**199**	**-**	**48,899**
B. Derivatives										
1. Financial derivatives		81	1,724,226	-		X	284	381,674	-	X
1.1 Trading	X	81	1,724,226	-	X	X	284	381,674	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives		-	-	-		X	-	-	-	X
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**81**	**1,724,226**	**-**	**X**	**X**	**284**	**381,674**	**-**	**X**
Total (A+B)	**X**	**5,017**	**1,724,226**	**-**	**X**	**X**	**48,985**	**381,872**	**-**	**X**

Key:
NV= Nominal or notional value
L1= Level 1
L2= Level 2
L3= Level 3
Fair value*= Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date

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

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

2.3 BREAKDOWN OF "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

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

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

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

	Total 31/12/2022					Total 31/12/2021				
	NV	Fair value			Fair value *	NV	Fair value			Fair value *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**365,913**	**-**	**352,484**	**-**	**352,484**	**335,958**	**-**	**335,392**	**-**	**335,392**
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	365,913	-	352,484	-	X	335,958	-	335,392	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees issued	-	X	X	X	X	X	X	X	X	X
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
of which:										
- commitments to disburse funds	-	X	X	X	X	X	X	X	X	X
- financial guarantees issued	-	X	X	X	X	X	X	X	X	X
3. Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
Total	**365,913**	**-**	**352,484**	**-**	**352,484**	**335,958**	**-**	**335,392**	**-**	**335,392**

Key:
NV= Nominal or notional value
L1= Level 1
L2= Level 2
L3= Level 3
Fair value*= Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date

The entire amount is represented by the affiliated banks' Ex Ante Quota of the contribution to the Guarantee Scheme, adjusted to take account of net interest and commissions on the loan.

3.2 BREAKDOWN OF "FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE": SUBORDINATED LIABILITIES

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

SECTION 4 - HEDGING DERIVATIVES – ITEM 40

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

	Fair value 31/12/2022			NV	Fair value 31/12/2021			NV
	L1	L2	L3	31/12/2022	L1	L2	L3	31/12/2021
A) Financial derivatives	**-**	**165,494**	**-**	**2,524,558**	**-**	**247,018**	**-**	**3,176,949**
1) Fair value	-	83,175	-	1,235,965	-	223,341	-	2,917,320
2) Cash flows	-	82,318	-	1,288,593	-	23,677	-	259,629
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**165,494**	**-**	**2,524,558**	**-**	**247,018**	**-**	**3,176,949**

Key:
NV=Notional value
L1=Level 1
L2= Level 2
L3= Level 3

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

	Fair value							Cash flows		Foreign investments
	Specific									
	Debt securities and interest rates	Equity securities and stock indices	Foreign currencies and gold	Credit	Commodities	Other	Generic	Specific	Generic	
1. Financial assets measured at fair value through other comprehensive income	-	-	-	-	X	X	X	3,061	X	X
2. Financial assets measured at amortized cost	82,160	X	-	-	X	X	X	79,257	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**82,160**	**-**	**-**	**-**	**-**	**-**	**-**	**82,318**	**-**	**-**
1. Financial liabilities	1,016	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**1,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	-	X	-	-

SECTION 5 ADJUSTMENTS OF GENERICALLY HEDGED LIABILITIES - ITEM 50

5.1 VALUE ADJUSTMENTS OF HEDGED FINANCIAL LIABILITIES: COMPOSITION BY HEDGED PORTFOLIO

There were no such positions as of the reporting date.

SECTION 6 – TAX LIABILITIES– ITEM 60

See section 10 under assets.

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

See section 11 under assets.

SECTION 8 - OTHER LIABILITIES – ITEM 80

8.1 OTHER LIABILITIES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
Amounts due to social security institutions and State	15,488	21,488
Amounts available to customers	63,241	27,495
Liabilities for future premiums on derivatives	1,987	2,850
Tax payables due to tax authorities	18,055	36,891
Payables due to employees	24,884	28,924
Financial liabilities in respect of loans granted for a specific transaction	84,771	70,504
Accrued expenses not attributable to separate line item	-	113
Deferred income not attributable to separate line item	2,584	2,354
Items in transit and items being processed	86,617	94,421
Other (failed purchase transactions, trade payables, insurance liabilities, security deposits, items not attributable to separate line item)	79,700	20,694
Subsidiaries – Group VAT	3,755	743
Consolidated taxation mechanism	22,520	48,419
Total	**403,602**	**354,896**

The sub-item “Financial liabilities in respect of loans granted for a specific transaction” regards the Parent Company’s contribution to the Guarantee Scheme. The item also include loans originally granted by the EIB; please see section 12, item 120 under assets.

SECTION 9 - EMPLOYEE TERMINATION BENEFITS – ITEM 90

9.1 EMPLOYEE TERMINATION BENEFITS: CHANGE FOR THE PERIOD

	Total 31/12/2022	Total 31/12/2021
A. Opening balance	**15,347**	**16,179**
B. Increases	**89**	**3,282**
B.1 Provisions for the period	89	1,209
B.2 Other increases	-	2,073
C. Decreases	**2,787**	**4,114**
C.1 Benefit payments	1,176	2,821
C.2 Other decreases	1,612	1,293
D. Closing balance	**12,649**	**15,347**
Total	**12,649**	**15,347**

9.2 OTHER INFORMATION

	Total 31/12/2022	Total 31/12/2021
Opening amount (civil code rules)	13,581	15,042
Increases	-	2,097
Decreases	62	3,558
Closing amount (civil code rules)	**13,518**	**13,581**
Surplus / (Deficit)	(869)	1,767
Employee termination benefits provision IAS 19	**12,649**	**15,347**

Employee termination benefits cover the entire entitlement accrued as at the reporting date by employees, in conformity with applicable law, the collective bargaining agreement and supplementary company-level contract. The liability calculated pursuant to Art. 2120 of the Civil Code amounted to €13,581 thousand.

The actuarial assumptions used by an independent actuary to calculate the liability as at the reporting date are as follows:

- demographic parameters: drawn from ISTAT's 2004 mortality tables and the INPS disability tables. As regards the probability of leaving work for reasons other than death, the calculation used turnover rates consistent with past experience, with the annual rate of exit from work set at 1.50%;
- financial parameters: the valuations were calculated on the basis of the Euro Composite AA curve at 31/12/2022;
- economic parameters: the rate of inflation was assumed to be 2.30% while the rate of increase in salaries was 3.225% for all categories of employee and used only for seniority purposes.

SECTION 10 - PROVISIONS FOR RISKS AND CHARGES – ITEM 100

10.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1. Provisions for credit risk in respect of commitments and financial guarantees issued	30,799	31,972
2. Provisions for other commitments and guarantees issued	-	-
3. Company pension plans	-	-
4. Other provisions for risks and charges	9,347	10,149
4.1 legal disputes	2,466	3,189
4.2 personnel expense	3,155	3,200
4.3 other	3,726	3,761
Total	**40,147**	**42,121**

10.2 PROVISIONS FOR RISKS AND CHARGES: CHANGE FOR THE PERIOD

	Provisions in respect of commitments and other guarantees issued	Retirement provisions	Other provisions	Total
A. Opening balance	**-**	**-**	**10,149**	**10,149**
B. Increases	**-**	**-**	**249**	**249**
B.1 Provisions for the year	-	-	249	249
B.2 Changes due to passage of time	-	-	-	-
B.3 Changes due to changes in the discount rate	-	-	-	-
B.4 Other increases	-	-	-	-
- of which: business combinations	-	-	-	-
C. Decreases	**-**	**-**	**1,052**	**1,052**
C.1 Use during the period	-	-	919	919
C.2 Changes due changes in the discount rate	-	-	128	128
C.3 Other decreases	-	-	5	5
- of which: business combinations	-	-	-	-
D. Closing balance	**-**	**-**	**9,347**	**9,347**

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

	Provisions for credit risk in respect of commitments and financial guarantees issued				Total
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired	
1. Commitments to disburse funds	2,916	3,762	1,754	-	8,431
2. Financial guarantees issued	5,723	7,507	9,139	-	22,368
Total	**8,639**	**11,268**	**10,892**	**-**	**30,799**

10.4 PROVISIONS IN RESPECT OF OTHER COMMITMENTS AND GUARANTEES ISSUED

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

10.5 DEFINED-BENEFIT COMPANY PENSION PLANS

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

10.6 PROVISIONS - OTHER

“Other” main regards the provision of €3,726 thousand for Deposit Guarantee Fund interventions.

SECTION 11 – REDEEMABLE SHARES - ITEM 120

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

SECTION 12 - SHAREHOLDERS' EQUITY - ITEMS 110, 130, 140, 150, 160, 170 AND 180

12.1 "SHARE CAPITAL" AND "TREASURY SHARES": COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A. Share capital		
A.1 Ordinary shares	1,401,045	1,401,045
A.2 Savings shares	-	-
A.3 Preference shares	-	-
A.4 Other shares	-	-
B. Treasury shares		
B.1 Ordinary shares	-	-
B.2 Savings shares	-	-
B.3 Preference shares	-	-
B.4 Other shares	-	-

12.2 SHARE CAPITAL – NUMBER OF SHARES OF THE PARENT COMPANY: CHANGE FOR THE PERIOD

	Ordinary	Other
A. Shares at the start of the year	**27,125,759**	**-**
- fully paid	27,125,759	-
- partially paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	**27,125,759**	**-**
B. Increases	**-**	**-**
B.1 new issues	-	-
- for consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**27,125,759**	**-**
D.1 Treasury shares (+)	-	-
D.2 Shares at the end of the year	27,125,759	-
- fully paid	27,125,759	-
- partially paid	-	-

12.3 SHARE CAPITAL: OTHER INFORMATION

Share capital is represented only by ordinary shares equal to subscribed share capital, fully paid up.

12.4 EARNINGS RESERVES: OTHER INFORMATION

Reserves amount to €236,491 thousand and include: the legal reserve (€56,102 thousand), the reserve established in the articles of association (€205 thousand), the extraordinary reserve (€155,315 thousand), a IAS FTA reserve (€15,378 thousand), a reserve from IFRS 9 FTA (€9,922 thousand), a reserve (€1,843 thousand) created following the transfer of the Corporate business unit to Iccrea BancaImpresa in 2007, a negative reserve (€236 thousand) from the merger of BCC Multimedia, a positive reserve (€162 thousand) relate to the transfer of properties to BCC Beni Immobili and a positive reserve (€234 thousand) related to the transfer of the "Branch Services" business unit to Banca Sviluppo; a negative earnings reserve on equity securities sold (€2,433 thousand). In implementation of a resolution of the shareholders' meeting, losses carried forward were covered in the total amount of €229.8 million, partly (€47.9 million) through the allocation of 2021 profit and for the remainder (€181.9 million) through the use of the extraordinary reserve. Pursuant to the provisions of the articles of association, at least one-tenth of net profit for the period shall be allocated to the legal reserve until that reserve is equal to one-fifth of share capital. The remaining nine-tenths are available for allocation by the Shareholders' Meeting, which decides on the basis of a proposal of the Board of Directors.

AVAILABILITY AND FORMATION OF EQUITY RESERVES

Pursuant to Art. 2427, nos. 4 and 7 bis of the Civil Code, the following table reports the composition of the Bank's shareholders' equity, indicating the origin, availability and possible distribution of the various components.

	Amount	Possible uses (*)	Available amount	Summary of uses in last three years	
				For loss coverage	Other uses
Share capital	1,401,045				
Share premium account	6,081				
Treasury shares					
Reserves:					
a) legal reserve	56,102	B	56,102		
b) reserve in articles of association	205	A – B – C	205		
c) extraordinary reserve	155,315	A – B – C	155,315		
d) other reserves	(431)	A – B – C	-		
e) FTA reserve	25,300	A – B – C	25,300		
Valuation reserves:					
a) Financial assets measured at fair value through other comprehensive income (FVOCI)	(9,424)		-		
b) Cash flow hedges	(22,460)		-		
c) Actuarial gains (losses) on defined-benefit plans	(1,629)		-		
Valuation reserves (Law 342 of 22/11/2000)	52,062	A – B – C(**)	52,062		
Retained earnings (loss carryforward)	-		-		
Net profit (loss) for the period	439,793				
Total	**2,101,960**				

(*) a = capital increase; b = loss coverage; c = distribution to shareholders.
(**) if the reserve is used to cover losses, profits may not be distributed until the reserve has been restored or reduced to a corresponding extent. Any such reduction must be approved by the Extraordinary Shareholders' Meeting without the need to comply with the provisions of paragraphs 2 and 3 of Article 2445 of the Civil Code. If the reserve is not allocated to share capital, it may only be reduced in compliance with the provisions of paragraphs 2 and 3 of Article 2445 of the Civil Code. If it is distributed to shareholders, it shall form part of the taxable income of the company and the shareholders.

12.5 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

There were no such positions as of the reporting date.

12.6 OTHER INFORMATION

There were no such positions as of the reporting date.

OTHER INFORMATION

1. GUARANTEES ISSUED AND COMMITMENTS (OTHER THAN THOSE DESIGNATED AS AT FAIR VALUE)

	Nominal value of financial guarantees issued and commitments				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired		
Commitments to disburse funds	**8,451,458**	**114,643**	**5,824**	**-**	**8,571,925**	**8,424,427**
a) Central banks	-	-	-	-	-	-
b) Government entities	12,500	-	-	-	12,500	-
c) Banks	6,646,985	20,823	-	-	6,667,808	7,378,324
d) Other financial companies	1,501,185	77,003	1,585	-	1,579,773	773,885
e) Non-financial companies	283,893	16,195	4,130	-	304,219	266,664
f) Households	6,894	623	109	-	7,626	5,554
Financial guarantees issued	**773,294**	**107,693**	**10,560**	**-**	**891,547**	**684,305**
a) Central banks	-	-	-	-	-	-
b) Government entities	11,489	-	-	-	11,489	12,245
c) Banks	42,360	343	-	-	42,703	58,551
d) Other financial companies	195,413	1,308	-	-	196,721	6,452
e) Non-financial companies	513,881	106,042	10,080	-	630,003	598,380
f) Households	10,151	-	480	-	10,631	8,677

The nominal value of “commitments to disburse funds” represents the amount that the Bank could be called upon to disburse at the request of the counterparty net of amounts already disbursed and gross of total provisions.

The nominal value of “financial guarantees issued” represents the maximum about the Bank could be called upon to pay in event the guarantees are enforced. It reports the nominal value net of enforcements of unsecured financial guarantees issued by the Bank and repayments by the secured debtor and gross of total provisions.

Sub-item “2. financial guarantees issued – other financial companies” includes the guarantee granted by the Bank to BCC Servizi Assicurativi as part of the reorganization of the "Bancassurance" sector of the Group. See Consolidated Report on Operations for more information.

2. OTHER COMMITMENTS AND GUARANTEES ISSUED

There were no such positions as of the reporting date.

3. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

	Amount 31/12/2022	Amount 31/12/2021
1. Financial assets measured at fair value through profit or loss	251,527	322,431
2. Financial assets measured at fair value through other comprehensive income	115,719	-
3. Financial assets measured at amortized cost	4,758,232	6,321,371
4. Property, plant and equipment	-	-
of which: property, plant and equipment classified as inventories	-	-

4. MANAGEMENT AND INTERMEDIATION SERVICES

	Amount 31/12/2022
1. Order execution on behalf of customers	**16,392,362**
a) Purchases	10,936,552
1. settled	10,885,913
2. not settled	50,638
b) Sales	5,455,810
1. settled	5,445,569
2. not settles	10,241
2. Asset management (individual)	**-**
3. Securities custody and administration	**150,729,287**
a) Third-party securities held as part of custodian bank services (excluding asset management)	-
1. Securities issued by consolidated companies	-
2. other securities	-
b) Other third-party securities on deposit (excluding asset management): other	86,721,145
1. Securities issued by consolidated companies	2,321,708
2. other securities	84,399,437
c) Third-party securities deposited with third parties	86,721,145
d) Securities owned by bank deposited with third parties	64,008,142
4. Other transactions	**-**

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

	Gross amount of financial assets (a)	Financial liabilities offset (b)	Net amount of financial assets reported (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	4,522,003	11,564	4,510,439	1,477,430	222,562	2,810,447	274,058
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**4,522,003**	**11,564**	**4,510,439**	**1,477,430**	**222,562**	**2,810,447**	**X**
Total 31/12/2021	**1,469,615**	**113,078**	**1,356,538**	**949,267**	**133,213**	**X**	**274,058**

6. PASSIVITÀ FINANZIARIE OGGETTO DI COMPENSAZIONE IN BILANCIO, OPPURE SOGGETTE AD ACCORDI-QUADRO DI COMPENSAZIONE O AD ACCORDI SIMILARI

	Gross amount of financial liabilities (a)	Financial assets offset (b)	Net amount of financial liabilities reported (c=a-b)	Related amounts not offset		Net amount (f=c-d-e) 31/12/2022	Net amount 31/12/2021
				Financial instruments (d)	Cash collateral received (e)		
1. Derivatives	4,007,044	11,564	3,995,480	3,035,024	180,563	779,894	867,297
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31/12/2022	**4,007,044**	**11,564**	**3,995,480**	**3,035,024**	**180,563**	**779,894**	**X**
Total 31/12/2021	**1,687,731**	**113,078**	**1,574,653**	**329,774**	**377,582**	**X**	**867,297**

7. SECURITIES LENDING TRANSACTIONS

No information to report.

8. DISCLOSURES ON JOINT ARRANGEMENTS

No information to report.

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST - ITEMS 10 AND 20

1.1 INTEREST AND SIMILAR INCOME: COMPOSITION

	Debt securities	Loans	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial assets measured at fair value through profit or loss	**5,593**	**-**	**-**	**5,593**	**5,716**
1.1 Financial assets held for trading	496	-	-	496	993
1.2 Financial assets designated at fair value	2,807	-	-	2,807	3,098
1.3 Other financial assets mandatorily at fair value	2,290	-	-	2,290	1,625
2. Financial assets measured at fair value through other comprehensive income	**9,540**	**-**	**X**	**9,540**	**1,411**
3. Financial assets measured at amortized cost	**517,953**	**160,382**	**-**	**678,335**	**334,824**
3.1 Due from banks	42,591	61,071	X	103,661	35,657
3.2 Loans to customers	475,362	99,311	X	574,673	299,167
4. Hedging derivatives	**X**	**X**	**(322,347)**	**(322,347)**	**(123,326)**
5. Other assets	**X**	**X**	**5,833**	**5,833**	**1,052**
6. Financial liabilities	**X**	**X**	**X**	**189,323**	**246,774**
Total	533,086	160,382	(316,514)	566,277	466,451
of which: interest income on impaired financial assets	-	3,510	-	3,510	147
of which: interest income from finance leases	X	-	X	-	-

1.2 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

1.2.1 INTEREST INCOME ON FOREIGN-CURRENCY FINANCIAL ASSETS

	31/12/2022	31/12/2021
1. Mortgage loans	-	-
2. Current accounts and deposits	853	434
3. Other loans	485	70
4. Debt securities	330	379
5. Other	26	171
Total	1,693	1,054

1.3 INTEREST AND SIMILAR EXPENSE: COMPOSITION

	Debt	Securities	Other transactions	Total 31/12/2022	Total 31/12/2021
1. Financial liabilities measured at amortized cost	**(100,186)**	**(85,069)**	**X**	**(185,254)**	**(110,340)**
1.1 Due to central banks	-	X	X	-	-
1.2 Due to banks	(92,984)	X	X	(92,984)	(37,114)
1.3 Due to customers	(7,201)	X	X	(7,201)	(3,221)
1.4 Securities issued	X	(85,069)	X	(85,069)	(70,004)
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
3. Financial liabilities designated at fair value	**-**	**-**	**-**	**-**	**-**
4. Other liabilities and provisions	**X**	**X**	**-**	**-**	**(82)**
5. Hedging derivatives	**X**	**X**	**529**	**529**	**(1,287)**
6. Financial assets	**X**	**X**	**X**	**(149,567)**	**(178,657)**
Total	(100,186)	(85,069)	529	(334,292)	(290,366)
of which: interest expense on lease liabilities	(44)	X	X	(44)	(60)

1.4 INTEREST AND SIMILAR EXPENSE: OTHER INFORMATION

1.4.1 INTEREST EXPENSE ON FOREIGN-CURRENCY LIABILITIES

	31/12/2022	31/12/2021
1. Current accounts and deposits	(1,551)	(389)
2. Loans	-	-
3. Other	(103)	(739)
Total	**(1,655)**	**(1,128)**

1.5 DIFFERENCES ON HEDGING TRANSACTIONS

	31/12/2022	31/12/2021
A. Positive differences on hedging transactions:	529	-
B. Negative differences on hedging transactions:	(322,347)	(124,613)
C. Balance (A-B)	**(321,818)**	**(124,613)**

SECTION 2 - FEES AND COMMISSIONS – ITEMS 40 AND 50

2.1 FEE AND COMMISSION INCOME: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	14,954	20,160
1. Securities placement	9,594	13,907
1.1 With underwriting and/or with irrevocable commitment	-	-
1.2 Without irrevocable commitment	9,594	13,907
2. Order receipt and transmission and order execution for customers	5,360	6,253
2.1 Order receipt and transmission for one or more financial instruments	1,301	1,440
2.2 Order execution for customers	4,059	4,813
3. Other fees and commission connected with financial instruments	-	-
of which: trading on own account	-	-
of which: individual portfolio management	-	-
b) Corporate finance	1,560	2,081
1. Merger and acquisition advisory services	-	-
2. Treasury services	-	-
3. Other fees and commissions connected with corporate finance services	1,560	2,081
c) Investment advisory services	-	-
d) Clearing and settlement	-	-
e) Custody and administration	6,413	6,330
1. Depository bank	-	-
2. Other fees and commissions connected with custody and administration services	6,413	6,330
f) Central administrative services for collective portfolio management	-	-
g) Trustee services	-	-
h) Payment services	369,670	45,218
1. Current accounts	308	353
2. Credit cards	68,473	-
3. Debit cards and other payment cards	254,657	-
4. Credit transfers and other payment orders	4,903	1,788
5. Other fees and commissions connected with payment services	41,329	43,077
i) Distribution of third-party services	4,014	-
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	4,014	-
of which: individual portfolio management	-	-
j) Structured finance	-	-
k) Securitization servicing	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	3,094	2,783
of which: credit derivatives	-	-
n) Lending transactions	15,477	18,890
of which: for factoring transactions	-	-
o) Currency trading	163	65
p) Goods	-	-
q) Other fee and commission income	19,754	18,019
of which: for management of multilateral trading facilities	-	-
of which: for management of organized trading facilities	-	-
Total	**435,100**	**113,547**

The sub-item "payment services" includes the effect of the agreements for the promotion-distribution of BCC Pay products and services between the Bank and the Group's mutual banks, following the initiative undertaken during the year to reposition the e-money sector.

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

	Total 31/12/2022	Total 31/12/2021
a) own branches:	**9,594**	**13,907**
1. asset management	-	-
2. securities placement	9,594	13,907
3. third-party services and products	-	-
b) off-premises distribution:	**4,014**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	4,014	-
c) other distribution channels:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	-

2.3 FEE AND COMMISSION EXPENSE: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
a) Financial instruments	(7,603)	(7,918)
of which: trading in financial instruments	(1,662)	(268)
of which: placement of financial instruments	(5,940)	(7,650)
of which: individual portfolio management	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	(1,872)	(1,389)
c) Custody and administration	(2,711)	(5,177)
d) Collection and payment services	(325,520)	(2,549)
of which: credit cards, debit cards and other payment cards	(323,193)	-
e) Securitization servicing	(624)	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	(514)	(549)
of which: credit derivatives	-	-
h) Off-premises marketing of financial instruments, products and services	-	-
i) Currency trading	(69)	(21)
j) Other fee and commission expense	(24,087)	(3,203)
Total	**(363,000)**	**(20,806)**

The sub-item "collection and payment services" includes the effect of the agreements for the promotion-distribution of BCC Pay products and services between the Bank and the Group's mutual banks, following the initiative undertaken during the year to reposition the e-money sector.

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES – ITEM 70

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

	Total 31/12/2022		Total 31/12/2021	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	-	393	2	222
B. Other financial assets mandatorily measured at fair value	162	815	313	3
C. Financial assets measured at fair value through other comprehensive income	11,328	-	4,498	-
D. Equity investments	777	-	23,404	-
Total	**12,267**	**1,208**	**28,216**	**225**

Dividends received mainly regard the holding acquired in the Bank of Italy (€10.6 million).

SECTION 4 - NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

4.1 NET GAIN (LOSS) ON TRADING ACTIVITIES: COMPOSITION

	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net gain (loss) (A+B) – (C+D)
1. Financial assets held for trading	**143**	**12,182**	**(566)**	**(4,184)**	**7,574**
1.1 Debt securities	97	11,065	(416)	(3,504)	7,242
1.2 Equity securities	46	157	(103)	(534)	(433)
1.3 Units in collective investment undertakings	-	195	(47)	(147)	1
1.4 Loans	-	-	-	-	-
1.5 Other	-	765	-	-	765
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**(139,591)**
4. Derivatives	**1,825,277**	**215,485**	**(1,823,046)**	**(214,578)**	**145,241**
4.1 Financial derivatives:	1,825,277	215,485	(1,823,046)	(214,578)	145,241
- on debt securities and interest rates	1,822,614	215,464	(1,822,552)	(212,189)	3,337
- on equity securities and equity indices	2,663	21	(493)	(2,390)	(199)
- on foreign currencies and gold	X	X	X	X	142,104
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges connected with fair value option	X	X	X	X	-
Total	**1,825,420**	**227,666**	**(1,823,612)**	**(218,763)**	**13,225**

SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A. Gain on:		
A.1 Fair value hedges	966,655	147,100
A.2 Hedged financial assets (fair value)	4,595	107,783
A.3 Hedged financial liabilities (fair value)	3,483	1,349
A.4 Cash flow hedges	134	4,315
A.5 Assets and liabilities in foreign currencies	-	294
Total income on hedging activities (A)	**974,867**	**260,841**
B. Loss on:		
B.1 Fair value hedges	(17,443)	(137,830)
B.2 Hedged financial assets (fair value)	(961,710)	(118,177)
B.3 Hedged financial liabilities (fair value)	(180)	(183)
B.4 Cash flow hedges	(480)	(1,461)
B.5 Assets and liabilities in foreign currencies	-	(3,082)
Total expense on hedging activities (B)	**(979,813)**	**(260,733)**
C. Net gain (loss) on hedging activities (A - B)	**(4,946)**	**108**
of which: net gain (loss) of hedges of net positions	-	-

SECTION 6 - GAIN (LOSS) ON DISPOSAL OR REPURCHASE – ITEM 100

This reports the positive or negative balances between the gains and losses realized with the sale of financial assets or repurchase of financial liabilities other than those held for trading or designated as at fair value.

6.1 GAIN (LOSS) ON DISPOSAL OR REPURCHASE: COMPOSITION

	Total 31/12/2022			Total 31/12/2021		
	Gains	Losses	Net gain (loss)	Gains	Losses	Net gain (loss)
Financial assets						
1. Financial assets measured at amortized cost	113,099	(78,182)	34,917	113,252	(36,780)	76,471
1.1 Due from banks	-	-	-	-	(136)	(136)
1.2 Loans to customers	113,099	(78,182)	34,917	113,252	(36,644)	76,608
2. Financial assets measured at fair value through other comprehensive income	1,790	(11,147)	(9,357)	5,571	(1,214)	4,357
2.1 Debt securities	1,790	(11,147)	(9,357)	5,571	(1,214)	4,357
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**114,889**	**(89,329)**	**25,560**	**118,822**	**(37,994)**	**80,828**
Financial liabilities measured at amortized cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	1	(119)	(117)	12	(3,689)	(3,677)
Total liabilities (B)	**1**	**(119)**	**(117)**	**12**	**(3,689)**	**(3,677)**

SECTION 7 - NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – ITEM 110

7.1 NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF FINANCIAL ASSETS AND LIABILITIES DESIGNATED AS AT FAIR VALUE

	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**37**	**24**	**(17,778)**	**(258)**	**(17,976)**
1.1 Debt securities	37	24	(17,778)	(258)	(17,976)
1.2 Loans	-	-	-	-	-
2. Financial liabilities	**13,430**	**-**	**-**	**-**	**13,430**
2.1 Securities issued	-	-	-	-	-
2.2 Due to banks	13,430	-	-	-	13,430
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	13,466	24	(17,778)	(258)	(4,547)

7.2 NET ADJUSTMENTS OF OTHER FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS: COMPOSITION OF OTHER FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE

	Capital gains (A)	Profits on realization (B)	Capital losses (C)	Losses on realization (D)	Net gain (loss) [(A+B) - (C+D)]
1. Financial assets	**555**	**833**	**(40,129)**	**(1,212)**	**(39,954)**
1.1 Debt securities	247	98	(4,956)	(796)	(5,409)
1.2 Equity securities	88	201	(10,596)	(416)	(10,723)
1.3 Units in collective investment undertakings	212	534	(24,577)	-	(23,831)
1.4 Loans	9	-	-	-	9
2. Financial assets: foreign exchange rate differences	**X**	**X**	**X**	**X**	**-**
Total	555	833	(40,129)	(1,212)	(39,954)

SECTION 8 - NET LOSSES/RECOVERIES FOR CREDIT RISK – ITEM 130

8.1 NET LOSSES/RECOVERIES FOR CREDIT RISK IN RESPECT OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST: COMPOSITION

	Losses (1)						Recoveries (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Writeoffs	Other	Writeoffs	Other						
A. Due from banks	**(26)**	**(373)**	**-**	**-**	**-**	**-**	**3,503**	**562**	**-**	**-**	**3,666**	**1,350**
- loans	-	-	-	-	-	-	3,241	-	-	-	3,241	1,055
- debt securities	(26)	(373)	-	-	-	-	263	562	-	-	425	295
B. Loans to customers	**(8,920)**	**(17,583)**	**(57,165)**	**(28,397)**	**-**	**-**	**35,301**	**14,867**	**81,889**	**-**	**19,991**	**(69,439)**
- loans	(8,596)	(17,434)	(57,165)	(28,256)	-	-	34,344	12,589	81,889	-	17,370	(68,955)
- debt securities	(324)	(149)	-	(141)	-	-	957	2,277	-	-	2,621	(484)
Total	**(8,946)**	**(17,956)**	**(57,165)**	**(28,397)**	**-**	**-**	**38,805**	**15,428**	**81,889**	**-**	**23,657**	**(68,088)**

8.1.A NET LOSSES/RECOVERIES FOR CREDIT RISK IN RESPECT OF LOANS MEASURED AT AMORTIZED COST INVOLVED IN COVID-19 SUPPORT MEASURES: COMPOSITION

	Net losses/recoveries						Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired			
			Writeoffs	Other	Writeoffs	Other		
1. Loans subject to forbearance measures compliant with guidelines	(1,021)	(11,004)	-	(4,823)	-	-	(16,848)	-
2. Loans involved in outstanding moratoriums no longer compliant with guidelines and note subject to forbearance measures	-	-	-	-	-	-	-	-
3. Loans subject to other forbearance measures	-	2,486	-	4,939	-	-	7,425	-
4. New loans	743	(172)	-	1,330	-	-	1,901	-
Total 31/12/2022	**(278)**	**(8,690)**	**-**	**1,445**	**-**	**-**	**(7,522)**	**-**
Total 31/12/2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

8.2 NET LOSSES FOR CREDIT RISK IN RESPECT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

	Losses (1)						Recoveries (2)				Total 31/12/2022	Total 31/12/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Writeoffs	Other	Writeoffs	Other						
A. Debt securities	(220)	(1,090)	-	-	-	-	175	68	-	-	(1,066)	450
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**(220)**	**(1,090)**	**-**	**-**	**-**	**-**	**175**	**68**	**-**	**-**	**(1,066)**	**450**

8.2.A NET LOSSES FOR CREDIT RISK IN RESPECT OF LOANS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INVOLVED IN COVID-19 MEASURES: COMPOSITION

There were no such positions as of the reporting date.

SECTION 9 - GAINS (LOSSES) FROM CONTRACT MODIFICATIONS WITHOUT DERECOGNITION – ITEM 140

There were no such positions as of the reporting date.

SECTION 10 - ADMINISTRATIVE EXPENSES – ITEM 160

10.1 PERSONNEL EXPENSES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1) Employees	(201,164)	(187,193)
a) wages and salaries	(140,082)	(132,055)
b) social security contributions	(32,857)	(30,787)
c) termination benefits	(1,862)	(2,484)
d) pension expenses	-	-
e) allocation to employee termination benefit provision	(796)	(258)
f) allocation to provision for post-employment benefits and similar obligations:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(12,611)	(11,952)
- defined contribution	(12,611)	(11,952)
- defined benefit	-	-
h) costs in respect of agreements to make payments in own equity instruments	-	-
i) other employee benefits	(12,956)	(9,657)
2) Other personnel	(568)	(404)
3) Board of Directors and members of Board of Auditors	(3,310)	(3,120)
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	8,615	6,473
6) Reimbursement of expenses for third-party employees seconded to the Company	(652)	(939)
Total	**(197,079)**	**(185,182)**

10.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

	Total 31/12/2022	Total 31/12/2021
Employees:	**1,960**	**1,976**
a) senior management	103	103
b) middle management	1,112	1,082
c) other employees	745	791
Other personnel	**-**	**-**
Total	**1,960**	**1,976**

The average number of employees is calculated as the weighted average number of employees using the number of months worked during the year as weights. Part-time employees are included at 50%.

10.3 DEFINED-BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES

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

10.4 OTHER EMPLOYEE BENEFITS

	31/12/2022	31/12/2021
early termination incentives and the income support fund	(2,785)	(676)
meal vouchers	(2,520)	(3,061)
insurance policies for the employees	(1,385)	(1,156)
healthcare	-	-
training	(1,437)	(941)
training Leg. Decree 81/08	-	-
loyalty bonuses	124	(1,300)
other benefits	(4,954)	(2,522)
Total	**(12,956)**	**(9,657)**

10.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
Information technology	(129,699)	(120,597)
Property and movables	(21)	(52)
- rental and fees	(10)	(52)
- ordinary maintenance	(11)	-
- security	-	-
Goods and services	(11,487)	(6,548)
- telephone and data transmission	(5,099)	(2,834)
- postal	(2,031)	-
- asset transport and counting	(340)	(402)
- electricity, heating and water	-	-
- transportation and travel	(3,512)	(2,887)
- office supplies and printed materials	(149)	(79)
- subscriptions, magazines and newspapers	(356)	(346)
Professional services	(40,940)	(48,952)
- professional fees (other than audit fees)	(33,455)	(41,317)
- audit fees	(1,200)	(1,365)
- legal and notary costs	(6,286)	(6,270)
- court costs, information and title searches	-	-
Administrative services	(15,411)	(12,487)
Insurance	(2,757)	(2,415)
Promotional, advertising and entertainment expenses	(9,645)	(2,158)
Association dues	(2,197)	(1,600)
Donations	(120)	-
Other	(24,276)	(21,004)
Indirect taxes and duties	(28,549)	(33,596)
- stamp duty	(1,202)	(1,219)
- tax under DPR 601/73	(80)	(89)
- municipal property tax	-	-
- financial transaction fee	(421)	(186)
- other indirect taxes and duties	(26,846)	(32,102)
Total	**(265,102)**	**(249,409)**

SECTION 11 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 170

11.1 NET PROVISIONS FOR CREDIT RISK IN RESPECT OF COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: COMPOSITION

	31/12/2022		
	Provisions	Reallocation of excesses	Total
Commitments to disburse funds Stage 1	(1,395)	1,321	(74)
Commitments to disburse funds Stage 2	(3,181)	1,621	(1,560)
Commitments to disburse funds Stage 3	(1,112)	2,084	972
Financial guarantees issued Stage 1	(3,924)	5,511	1,588
Financial guarantees issued Stage 2	(3,758)	6,298	2,540
Financial guarantees issued Stage 3	(2,606)	313	(2,293)
Total	**(15,974)**	**17,147**	**1,172**

Provisions and reversals also include the effect of the passage of time (discounting effect).

For further details on the impairment model adopted by the Bank and used to determine the net provisions shown in the table, see Part A “Accounting Policies” of the notes to the financial statements.

11.2 NET PROVISIONS IN RESPECT OF OTHER COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: COMPOSITION

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

11.3 NET PROVISIONS FOR OTHER RISKS AND CHARGES: COMPOSITION

	31/12/2022		
	Provisions	Reallocation of excesses	Total
Legal disputes	(104)	746	641
Other	-	-	-
Total	**(104)**	**746**	**641**

SECTION 12 - NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT - ITEM 180

12.1 NET ADJUSTMENTS OF PROPERTY, PLANT AND EQUIPMENT: COMPOSITION

	Depreciation (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Property, plant and equipment				
A.1 Operating assets	(1,960)	-	-	(1,960)
- owned	(25)	-	-	(25)
- right-of-use assets acquired under leases	(1,935)	-	-	(1,935)
A.2 Investment property	-	-	-	-
- owned	-	-	-	-
- right-of-use assets acquired under leases	-	-	-	-
A.3 Inventories	X	-	-	-
B. Assets held for sale	**X**	**-**	**-**	**-**
Total	**(1,960)**	**-**	**-**	**(1,960)**

SECTION 13 - NET ADJUSTMENTS OF INTANGIBLE ASSETS - ITEM 190

13.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	Amortization (a)	Writedowns for impairment (b)	Writebacks (c)	Net adjustments (a + b - c)
A. Intangible assets				
of which: software	(287)	-	-	(287)
A.1 Owned	(287)	-	-	(287)
- generated internally by the Bank	-	-	-	-
- other	(287)	-	-	(287)
A.2 Right-of-use assets acquired under leases	-	-	-	-
B. Assets held for sale	X	-	-	-
Total	**(287)**	**-**	**-**	**(287)**

SECTION 14 - OTHER OPERATING EXPENSES - ITEM 200

14.1 OTHER OPERATING EXPENSES: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
Charges connected with lease services (consultants, insurance, taxes and duties, capital losses)	-	-
Reductions in assets and prior-year expenses not attributable to separate line item	(354)	-
Costs of outsourced services	-	-
Settlement of disputes and claims	-	-
Amortization of expenditure for leasehold improvements	-	-
Other charges – extraordinary transactions		-
Other charges	(93,850)	(2,616)
Total	**(94,204)**	**(2,616)**

“Other charges” include €90 million linked to the one-off component of long-term contracts and exclusive distribution agreements for BCC Pay products and services between Iccrea Banca and the mutual banks of the Group.

14.2 OTHER OPERATING INCOME: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A) Recoveries	**36,315**	**29,875**
Recovery of taxes	1,433	216
Recovery of sundry charges	33,502	29,644
Insurance premiums	1,380	-
Property rental income	1	-
Recovery of costs from customers	-	-
Recovery of costs on bad debts	-	16
B) Other income	**172,058**	**152,569**
Insourcing revenues	117,789	118,464
Property rental income	-	-
Reductions in liabilities and prior-year income not attributable to separate line item	915	617
Other income from finance leases	-	-
Other income	53,354	33,488
Fees and commissions on accelerated application processing	-	-
Total	**208,373**	**182,445**

SECTION 15 - PROFIT (LOSS) FROM EQUITY INVESTMENTS - ITEM 220

15.1 PROFIT (LOSS) FROM EQUITY INVESTMENTS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
A. Income	**439,900**	**50,331**
1. Revaluations	-	-
2. Gains on disposal	439,900	50,331
3. Writebacks	-	-
4. Other income	-	-
B. Expenses	**(2,064)**	**(77,447)**
1. Writedowns	-	-
2. Impairment losses	(2,064)	(77,447)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net result	**437,836**	**(27,116)**

The sub-item “2. Gains on disposal” includes the entire the capital gain realized on the sale of BCC Pay to FSI (€439.9 million) as part of the initiative undertaken for the repositioning of the Group's e-money sector, an operation described in the Report on Operations, which readers are invited to consult for additional details.

SECTION 16 - NET ADJUSTMENT TO FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS - ITEM 230

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

SECTION 17 - GOODWILL IMPAIRMENT - ITEM 240

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

SECTION 18 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS - ITEM 250

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

SECTION 19 - INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 270

19.1 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1. Current taxes (-)	15,164	(12,257)
2. Change in current taxes from previous period (+/-)	(130)	1,560
3. Reduction of current taxes for the period (+)	2,722	9,875
3.bis Reduction of current taxes for the period for tax credits under Law 214/2011 (+)	-	220
4. Change in deferred tax assets (+/-)	(3,902)	(1,275)
5. Change in deferred tax liabilities (+/-)	-	-
6. Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)	**13,854**	**(1,876)**

19.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

IRES	31/12/2022		31/12/2021	
	Taxable income	Tax	Taxable income	Tax
Profit (loss) before tax on continuing operations (item 260 IS)	418,763		30,284	
Profit before tax on continuing operations (item 260 IS)	418,763		30,284	
Loss before tax on continuing operations (item 260 IS)	-		-	
Current rate		24%		
Theoretical tax liability (24%)		(100,503)		(7,268)
Greater tax liability due to increases (taxable income)/Greater tax liability due to increases (tax)	**47,367**	**(11,368)**	**126,733**	**(30,416)**
Temporary				
- Changes during the year	3,999		20,816	
Definitive				
- Reversal of prior-year temporary differences	-		-	
- Changes during the year	43,368		105,917	
Lower tax liability due to decreases	**451,114**	**108,267**	**106,672**	**25,601**
Temporary				
- Changes during the year	7,906		16,119	
Definitive				
- Reversal of prior-year temporary differences	-		90,554	
- Changes during the year	441,861		-	
- Deductions up to limit of taxable income	1,347		-	
Taxable income (loss)	15,016		50,344	
Current gross tax		(3,604)		(12,083)
IRES surtax rate		(87)		(184)
IRES income from consolidated taxation mechanism		24,302		4,146
Tax credits		-		-
Current net tax in income statement		20,610		(8,121)
Changes in current tax/deferred tax assets/deferred tax liabilities (+/-)		(1,123)		10,382
Tax liability for the year		19,487		2,260

IRAP	31/12/2022		31/12/2021	
	Taxable income	Tax	Taxable income	Tax
Profit (loss) before tax for IRAP purposes (item 260 IS)	418,763		30,284	
Profit before tax on continuing operations (item 260 IS)	418,763		30,284	
Loss before tax on continuing operations (item 260 IS)				
Current rate		4.65%		
Theoretical tax liability (ordinary rate 4.65%)		(19,472)		(1,408)
Items not included in determination of income	(340,704)	15,843	353,079	(16,418)
- Revenue and income (-)	(576,409)		(179,829)	
- Costs and charges (+)	235,706		532,908	
Greater tax liabilities due to increases (taxable income)/ Greater tax liabilities due to increases (tax)	**213,950**	**(9,949)**	**182,612**	**(8,491)**
Temporary	-			
- Changes during the year	-		-	
Definitive				
- Reversal of prior-year temporary differences	-		-	
- Changes during the year	213,950		182,612	
Lower tax liability due to decreases	**194,224**	**9,031**	**491,670**	**22,863**
Temporary	-		-	
- Changes during the year	3		-	
Definitive				
- Reversal of prior-year temporary differences	-		-	
- Changes during the year	194,221		491,670	
Value of production	97,785	-	74,244	-
Current tax		(4,547)		(3,455)
Effect of regional surtaxes/tax relief (+/-)		(900)		(680)
Current tax in income statement		(5,447)		(4,135)
Changes in current tax/deferred tax assets/deferred tax liabilities (+/-)		(187)		(1)
Tax liability for the year		(5,633)		(4,136)

TAX IN LIEU	31/12/2022		31/12/2021	
	Taxable income	Tax	Taxable income	Tax
Tax in lieu (c)		-		-
Total income tax expense (item 270 IS)		13,854		(1,876)

SECTION 20 - PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX - ITEM 290

20.1 PROFIT (LOSS) ON DISCONTINUED OPERATIONS AFTER TAX: COMPOSITION

	Total 31/12/2022	Total 31/12/2021
1. Revenue	122,462	427,977
2. Expense	(112,564)	(393,331)
3. Result of measurement of groups of assets and associated liabilities	-	-
4. Gain (loss) on realization	-	-
5. Taxes and duties	(2,722)	(9,875)
Profit (loss)	**7,176**	**24,770**

20.2 BREAKDOWN OF INCOME TAXES ON DISCONTINUED OPERATIONS

	31/12/2022	31/12/2021
1. Current taxes (-)	(2,722)	(9,875)
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (-/+)	-	-
4. Income taxes for the period (-1+/-2+/-3)	**(2,722)**	**(9,875)**

SECTION 21 – OTHER INFORMATION

No other information necessary.

SECTION 22 - EARNINGS PER SHARE

22.1 AVERAGE NUMBER OF ORDINARY SHARES IN DILUTED SHARE CAPITAL

The section is not completed in these notes to the financial statements; please see the same section in the notes to the consolidated financial statements.

22.2 OTHER INFORMATION

The section is not completed in these notes to the financial statements; please see the same section in the notes to the consolidated financial statements.

PART D - COMPREHENSIVE INCOME

BREAKDOWN OF COMPREHENSIVE INCOME

		31/12/2022	31/12/2021
10.	**Net profit (loss) for the period**	**439,793**	**53,178**
	Other comprehensive income not recyclable to profit or loss	**563**	**5,169**
20.	Equity securities designated as at fair value through other comprehensive income:	(1,397)	8,350
	a) fair value changes	(1,397)	8,350
	b) transfers to other elements of shareholders' equity	-	-
30.	Financial liabilities measured at fair value through profit or loss (change in credit risk):	-	-
	a) fair value changes	-	-
	b) transfers to other elements of shareholders' equity	-	-
40.	Hedges of equity securities designated as at fair value through other comprehensive income:	-	-
	a) fair value changes (hedged instrument)	-	-
	b) fair value changes (hedging instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	1,720	(579)
80.	Non-current assets held for sale	-	-
90.	Valuation reserves of equity investments accounted for with equity method	-	-
100.	Income taxes on other comprehensive income not recyclable to profit or loss	240	(2,602)
	Other comprehensive income recyclable to profit or loss	**(27,367)**	**2,134**
110.	Hedging of investments in foreign operations:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
120.	Foreign exchange differences:	-	-
	a) value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	(25,957)	6,881
	a) fair value changes	(26,303)	9,099
	b) reversal to income statement	346	(2,218)
	c) other changes	-	-
	of which: result on net positions	-	-
140.	Hedging instruments (undesignated elements):	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
150.	Financial assets (other than equity securities) measured at fair value through other comprehensive income:	(15,459)	(3,428)
	a) fair value changes	(18,569)	(2,114)
	b) reversal to income statement	3,109	(1,314)
	- adjustments for credit risk	1,066	(450)
	- gain/loss on realization	2,043	(864)
	c) other changes	-	-
160.	Non-current assets and disposal groups held for sale:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	c) other changes	-	-
170.	Valuation reserves of equity investments accounted for with equity method:	-	-
	a) fair value changes	-	-
	b) reversal to income statement	-	-
	- impairment adjustments	-	-
	- gain/loss on realization	-	-
	c) other changes	-	-
180.	Income taxes on other comprehensive income recyclable to profit or loss	14,049	(1,319)
190.	**Total other comprehensive income**	**(26,805)**	**7,303**
200.	**Comprehensive income (item 10+190)**	**412,989**	**60,481**

PART E - RISK AND RISK MANAGEMENT POLICIES

INTRODUCTION

The Iccrea Cooperative Banking Group conducts its business in accordance with the principles of prudence and risk containment, based on the need for stability associated with banking activity and the main characteristics of the mutual banks and their customers. Consistent with these principles, the Group pursues its growth objectives in accordance with the needs of the mutual banking system, ensuring, through balanced risk management, reliable and sustainable generation of value over time.

The risk governance policies represent the reference model in organizational and process development and in the systematic execution of all the operational and business activities performed by Group companies and are an integral part of the risk management process (RMP) adopted by the Group, ensuring sound and prudent management and supporting sustainable implementation of the overall risk strategy. The internal control system (ICS) governs the RMP, ensuring the completeness, appropriateness, functionality (in terms of effectiveness and efficiency) and reliability of the policies in a context of strict consistency with the risk appetite framework defined at Group level.

The Risk Management function operates within the internal control system.

THE RISK MANAGEMENT FUNCTION

The Chief Risk Officer area is responsible at the Group level for the key elements of the overall Risk Management Framework: identification, measurement, monitoring and mitigation of corporate risks. It is responsible for the governance and execution of second-level controls connected with risk management, consistent with the internal control system adopted by the Group. It is the contact for the corporate bodies of the Parent Company for matters within its scope of responsibility, providing an integrated and composite vision of both the first and second pillar risks assumed and managed by the individual entities and by the Group as a whole.

In 2022, the organizational structure of Risk Management function of the Parent Company underwent fine-tuning, in line with the ongoing evolution of the Group's risk management model. Current organizational arrangements provide for:

- a "Risk Governance & Strategy" unit that represents a "competency center" overseeing all risk governance and risk strategy issues for the Group, including the management of the EWS and stress testing framework for the purposes of the Guarantee Scheme at both the consolidated and individual levels. The unit performs activities connected with the preparation of the area's annual activity plan and the institutional reporting document submitted to the corporate bodies and the supervisory authorities, supporting the Chief Risk Officer in its areas of responsibility. In addition, the Risk Governance & Strategy unit also coordinates and monitors strategic projects for the CRO area, periodically assessing achievement of the objectives as well as overseeing activities pertaining to the CRO area concerning climate and environmental risks and ESG issues. This unit is sub-divided into the following organizational units:
    - "*EWS & Stress Test SDG*", which performs all activities connected with the EWS and the Guarantee Scheme. More specifically, the Early Warning System (EWS) regulates the governance mechanisms between the corporate bodies of the banks and the corporate bodies of the Parent Company and is the tool used to monitor the organization and the financial position and performance of the affiliated Banks, in the interest of their stability and their sound and prudent management. The EWS defines internal operating rules and areas of assessment that, using specific indicators and coded evaluation processes, make it possible to classify the affiliated banks in relation to their riskiness. Each affiliated bank is classified into one of seven risk levels attributable to three overall risk situations ("ordinary", "strain", "critical"), which are associated with specific responses of the Parent Company that are graduated in relation to the management constraints associated with the measures ("ordinary", "coordinated" and "controlled" management). The intervention measures associated with the EWS indicators therefore form an integral part of the strategic/operational plans defined on an individual basis and are implemented by the affiliates involved when preparing the individual RAS, in particular with regard to the definition of the levels of risk propensity/target (risk appetite) and the maximum tolerated and permitted exposure (risk tolerance and risk capacity, respectively). Together with the other structures of the Risk Management function, the unit also contributes i) to the performance of stress testing connected with the assessment of the vulnerability of each affiliated bank and used in ii) the definition of the early warning levels and iii) the determination of the amount of Readily Available Funds to support the Guarantee Scheme;
    - "*BCC Risk Governance",* which ensures the applicability of the methodological framework for risk governance processes and the specific risks on the individual level of the affiliated banks, supporting the Group Risk Governance and Group Risk Management units in the definition and maintenance of the processes in order to facilitate their operational implementation with the mutual banks. In this context, it supports the Mutual Bank RM units (Northern Area, Central Area, Southern Area) and the risk managers of the affiliated banks in the implementation and application on an individual basis of the reference frameworks, processes and related risk management activities. In particular: i) it supports the Group Risk Governance unit in the definition and maintenance of the methodological framework of the Group Risk Governance processes (RAF/RAS, analysis and assessments connected with capital adequacy, stress testing, OMR and incentive system) and, in close collaboration with the Mutual Bank RM units (Northern Area, Central Area, Southern Area), handles its efficient and effective operational implementation within the affiliated banks; ii) supports the Group Risk Governance unit in the definition of the guidelines to support the preparation of the annual plans and the respective institutional reports of the activities of the Risk Management function broken down by individual mutual bank; iii) in close collaboration with the Mutual Bank RM units (Northern Area, Central Area, Southern Area) and in concert with the other competent units of the Risk Management function, develops the risk appetite proposal for the affiliated banks with the related limits and triggers

broken down into risk categories by operating and business segments; iv) supports the Group Risk Management unit in the definition and maintenance of the methodological framework for specific risks in order to enable efficient and effective operational implementation within the affiliated banks; in addition, it also supports this unit in assessing and monitoring the Group's specific risks arising in respect of the affiliated banks and identifies, within its area of responsibility, any risk mitigation measures required; and v) supports the Mutual Bank RM units (Northern Area, Central Area, Southern Area) and the risk managers of the affiliated banks in the implementation and application of the risk management frameworks, the risk measurement methodologies and models for the risks identified by the Parent Company and ensures the correct and uniform performance of the related risk management activities in compliance with the qualitative and quantitative standards dictated by the Parent Company

- a "*Group Risk Governance*" unit, which defines and maintains the methodological framework of the Group's Risk Governance processes (RAF/RAS, ICAAP, Recovery Plan, stress testing, OMR, incentive system). Within this framework, the unit also performs supervision and support activities for the transversal activities of the overall function and acts as the internal reference unit within the CRO area for climate and environmental risks and ESG issues. In performing these activities, the unit covers the Group and the companies within the direct scope, in close collaboration with the Planning & Management Control unit and in concert with the other competent units of the Parent Company's Risk Management function and, with regard to the affiliated banks, in collaboration with the Mutual Bank Risk Governance unit;

- a "*Group Risk Management*" unit, which i) supervises and coordinates the organizational units dedicated to the individual risk categories, which within their areas of responsibility are involved in the development and maintenance of the methodological framework for the assumption and management of specific risks, as well as the assessment and monitoring of those risks, the identification of any risk mitigation measures, ii) oversees risk management activities for the companies within the direct scope, governed by a specific service agreement, coordinating communication with the other specialized units of the Risk Management function; and iii) establishes the operational guidelines for the specialized units of the Risk Management function in their interactions with the Risk Management units of the affiliated banks;
- a "*Mutual Bank Risk Management*" unit, which represents the "control center" for the risk profile of the individual affiliated banks, representing the top management structure for the local Risk Management units. Local risk managers report to the unit through the Mutual Bank RM units (Northern Area, Central Area, Southern Area). It coordinates communication with the other specialized units of the Risk Management function. The Mutual Bank RM units have organizational responsibility for the overall execution of the Risk Management activities outsourced for the macro-area; represent the top management structure for the Risk Management controls of the area, which is responsible for the execution the outsourced second-level control activities for risk management; and ensure the coordination of the managers in charge of the Risk Management functions of the affiliated banks.
- a "Validation" unit: reporting directly to the CRO, this unit validates models developed internally to quantify the risks to which the Group is exposed.

The main duties performed by the Group Risk Management function are the following:

- defining and developing the framework for the assumption and management of risks pertaining to the Group, which is composed of i) organizational structures and corporate processes (operating, administrative and business), including line controls; ii) risk governance policies (policies, limits, responsibilities); and iii) methodologies and risk measurement and assessment criteria; iv) support tool applications. In this area, the Risk Management function ensures that the framework for the assumption and management of risks is compliant with applicable regulations, in line with market best practice, functional in respect of internal operational conditions and consistent with the business plan, the budget and the Risk Appetite Framework (RAF), the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) of the Group;
- developing the Risk Appetite Framework and its operational implementation (the Risk Appetite Statement) at the consolidated level and, with the support of the affiliated banks and Group companies, at the individual level, consistent with capital adequacy objectives (ICAAP) and the adequacy of the liquidity profile (ILAAP) of the Group;
- "monitoring the risk profile of the individual affiliated banks and the companies in the direct scope for which risk management activities are performed on a centralized basis under an outsourcing arrangement governed by specific service agreements. This control center operates through the local risk management units and, for the affiliated banks only, using the mechanisms of the Early Warning System and the Guarantee Scheme. In this area, the Risk Management function:
- handles the development and updating of the methodological framework and develops tools for managing the Guarantee Scheme, as well as assessing, classifying and monitoring the affiliated banks within the scope of EWS management processes and proposes the classification of the risk profile;
  - is responsible, through the action of its local units as well, for the determination and adoption by each affiliated bank of strategies, policies and principles for the assessment and measurement of the risks identified at the Group level.
- monitoring developments in the risk profile and the various types of risk to which the Group as a whole and its individual members are exposed, verifying the ongoing consistency between the actual risk assumed and the specified risk objectives. In this context, the Risk Management function:

- develops methodologies and models for measuring and assessing risks, validating those models, periodically checking their operation, predictive capacity and performance, and their consistency over time with operational practices and regulatory requirements;
- performs second-level controls of the appropriateness, effectiveness and resilience of the framework for the assumption and management of the risks for which it is responsible, identifying any needs for fine tuning/corrective or evolutionary maintenance and providing support – within the scope of its duties – in implementing the associated actions;
- identifies any risk developments exceeding the limits set out in the Risk Appetite Statement, in the Risk Governance Policies or in external regulations and, in general, potentially harmful or unfavorable situations in order to assess possible mitigation initiatives to implement;
- within the RAF/RAS and EWS frameworks, examines the results of the process of determining the capital requirements, analyzing the dynamics involved to verify the overall consistency with the risk profile in the different analytical dimensions considered;
- analyzes major transactions, expressing a prior opinion on their consistency with the Risk Appetite Statement;
- assesses, within the scope of its duties, the capital structure in relation to the risks assumed/assumable (ICAAP) and the appropriateness of the Group's liquidity profile (ILAAP;
- assesses the impact of especially serious events on the Group's exposure to risk and participates in developing strategies to be implemented for resolution;
- reports to top management on risk developments in the various operating segments and business areas, providing support to management bodies in defining strategic policy and risk policy and the associated implementation of those policies;
- within the scope of its duties, it performs tasks required for the purpose of supervisory reporting, inspections and regulations.

THE RISK CULTURE

The Group devotes special attention to managing, assessing and understanding risk. All personnel are asked to identify, assess and manage risk within their area of responsibilities. Each employee is expected to perform their duties seriously and with awareness.

The risk culture is inspired by the principles of the risk management model of the Parent Company. It is disseminated to all business units and personnel and is founded on the following pillars:

- the independence of risk functions from business units;
- the establishment and constant updating of risk handbooks and policies, updating risk measurement and estimation approaches to ensure consistency with sector best practices;
- the specification of risk limits;
- the periodic monitoring of (aggregate and non-aggregate) exposures with verification of compliance of approved limits and implementation of appropriate corrective measures where necessary;
- the presence of other support tools to help develop the culture of risk (training courses, remuneration policies and incentives linked to the quality of risk and the results of the Group companies in the long term, systematic and independent Internal Auditing units, etc.).

THE GROUP RISK GOVERNANCE FRAMEWORK

The overall Risk Governance framework developed by Iccrea Banca and adopted by the Group reflects the specific features of the Iccrea Cooperative Banking Group as a group whose participatory mechanisms are based on a Cohesion Contract, signed by the banks, that provides for internal stability mechanisms characterized by intercompany mutual support agreements regulated specifically by applicable external legislation.

On the basis of the provisions of the Cohesion Contract between the affiliated banks and the Parent Company, the latter constantly monitors the organization and the operating conditions, financial position and performance of the affiliated banks through the Early Warning System (EWS), which is designed to promptly identify any signs of management difficulty and/or failure to comply with the obligations assumed under the Cohesion Contract, recommending or arranging, depending on the specific features of any given case and on the basis of the principle of proportionality, the appropriate intervention measures. The overall framework of the Group's risk governance system is completed by the Risk Appetite Framework (RAF), which is implemented operationally through policies addressing the individual risks to which the Group is exposed and transversal systems involved in the internal assessment the capital adequacy and liquidity profile (ICAAP/ILAAP) and the overall assessment of the recovery capacity in particularly adverse conditions (the Recovery Framework).

The RAF defines - in line with the maximum assumable risk (Risk Capacity), the business model and the Group strategy, the Operational Plan

and the company incentive system - the risk objectives or risk appetite (Risk Appetite) and Risk Tolerance thresholds, taking due account of possible adverse scenarios. Starting on the basis of the RAF, consistent operating limits are defined within the overall risk governance policies. The latter in turn represent the internal regulatory expression of the "rules" for the assumption and management of risks and are an integral part of the Risk Management Process (RMP).

The overall architecture of the Risk Appetite Framework, defined in terms of key elements, scope of coverage/application and underlying operating models, is closely interconnected with ICBG's key risk governance process, i.e. the Early Warning System. The RAF is implemented individually with regard to the affiliated banks and shares qualitative and quantitative indicators with the EWS, ensuring consistency between the different calibration approaches and the purposes of the two frameworks.

In other words, the RAF is intended to explicate the medium/long-term vision of the desired risk profile for the Group as a whole and for each Group company, defining the risk area within which the management functions must operate in pursuit of corporate strategies. Compared with the RAF, the capital adequacy and liquidity assessment (ICAAP and ILAAP) represents an occasion to verify the stability of the risk appetite choices in terms of their consistency with the capital and liquidity resources available, guiding any subsequent modification of the choices and the resulting overall strategy decisions.

SECTION 1 – CREDIT RISK

QUALITATIVE DISCLOSURES

1. GENERAL ASPECTS

In accordance with the organizational model established at the Iccrea Cooperative Banking Group level to govern and manage risks, credit risk is managed with an integrated series of processes and associated responsibilities defined within company units and regulated with a comprehensive set of internal rules for credit risk.

As Parent Company, and on the basis of the provision of the Cohesion Contract signed in March 2019 among the Group companies, Iccrea Banca determines credit risk management policies at the Group level. More specifically:

- the lines of development for the Group activities are defined in the Strategic Plan and then incorporated in the annual budgets of the individual entities, in agreement with the Parent Company;
- the Risk Management function supports the risk assumption phase (policy, assessment and pricing models, quality control, strategic policy analysis) and management (identification, measurement/assessment, monitoring/reporting, mitigation) of the credit risk exposure of the Parent Company and all the Group companies.

With regard to the management and coordination role, the Bank assumes responsibility for the following areas: lending rules (principles, policies and processes), credit strategies and credit risk limits, management of large exposures, guidelines for the main credit product categories by customer segment, the monitoring and reporting of portfolio credit risk.

In line with these credit governance rules, the Parent Company's Chief Lending Officer area conducts its guidance and coordination activities for the Group companies consistent with the provisions of the Cohesion Contract, being responsible for overseeing credit quality, defining credit policies (verifying their application), ensuring the implementation of guidelines in the assumption and management of credit risks and overseeing the execution of credit and administrative obligations connected with the non-performing portfolio.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 ORGANIZATIONAL ASPECTS

Credit risk represents the preponderant component of the overall risks to which the Group is exposed, considering that credit exposures account for a dominant share of assets.

In light of this circumstance and in compliance with the applicable provisions concerning the internal control system (see Circular No. 285/2013, Part One, Title IV, Chapter 3), Iccrea Banca has adopted a governance structure and operational arrangements to ensure the adequate monitoring of credit risk at the Group level in the various phases of the process.

The Parent Company, in exercising the powers of strategic management and coordination granted to it under provisions of the Cohesion Contract, defines the strategies, policies and principles for assessing and measuring risks for the Group and ensures the consistency of the internal control systems of the affiliated banks with the strategies, policies and principles established at the Group level. The main activities of the lending process performed by the CLO area are:

- performing guidance and coordination activities for all phases of the credit process (granting, management, governance of guarantees, monitoring, classification, evaluation and credit recovery);
- ensuring the constant updating of the guidelines on credit issues;
- overseeing and directing projects related to innovations or upgrading of existing credit processes;
- coordinating any remedial actions requested by the supervisory authorities, top management or the corporate control functions;
- supporting the competent Group units in the definition and development of credit products;
- contributing to the definition of the Strategic Plan for the lending area, including the NPE sector;
- defining the NPE Operating Plan, in line with the Group's strategic guidelines in this area;
- issuing, in compliance with the provisions and amount limits specified in the Group Lending Policies and in compliance with the powers attributed in internal rules, credit opinions on performing credit transactions from companies in the direct scope and the affiliated banks;
- approving the Bank's performing loan transactions, in compliance with the powers attributed in internal rules, submitting them to the higher decision-making bodies of Iccrea Banca where they do not fall within its powers.

In accordance with supervisory regulations (Bank of Italy Circular no. 285/2013), the Risk Management function performs - at both the consolidated and individual legal entity levels - credit risk control activities designed to ascertain that the activities performed in all phases of the lending process ensure the effective monitoring and adequate representation of credit risk, identifying any hidden risks and guiding correct/adequate risk management, classification and evaluation.

More generally, the Risk Management function oversees the risk management of the individual entities from a consolidated and individual perspective:

- overseeing the measurement of credit risk from a current and forward-looking perspective, considering both conditions of normal operations and stress scenarios;
- monitoring the capacity of the risk limits, including those defined within the RAF/RAS with regard to the associated credit risk metrics;
- defining and updating the methods and measurement models for credit risk, including those used in the performance of credit stress tests, ensuring their ongoing compliance with regulatory developments and market best practice.

2.2 MEASUREMENT, MANAGEMENT AND CONTROL SYSTEMS

IDENTIFICATION OF RISKS

As noted in the previous section, in compliance with the provisions of Circular no. 285/2013 of the Bank of Italy as updated, the Parent Company determines the strategies, policies and principles for assessing and measuring risks for the Group and ensures the consistency of the internal control systems of the affiliated banks with the strategies, policies and principles established at the Group level, thus exercising the powers of strategic management and coordination aimed at ensuring the unity of the Group's strategic management and control system, as governed by the Cohesion Contract.

With regard to lending activities performed by the Group, the Parent Company governs all the phases of the lending process, the management of real estate guarantees, exposure monitoring, the classification of risk positions, and the management and valuation of impaired exposures.

More specifically, as part of the loan approval process a direct assessment is carried out to ascertain the needs and requirements of the applicant accurately assessing the credit risk profile using specific tools/models for assessing creditworthiness. Granting a loan requires an in-depth analysis of the risk associated with i) the counterparty as well as the economic context in which it operates, ii) the purpose and characteristics of the transaction to be financed, iii) the guarantees available and iv) other forms of credit risk mitigation.

The analysis of a counterparty's risk is a key element of the loan granting process. It is based on qualitative/quantitative information with the aim of accurately assessing the risk profile of the transaction and monitoring the creditworthiness of the counterparty over time. Typically, the assessment of counterparties is supported by the use of automated calculation models (rating/scoring models) designed to measure the creditworthiness of a counterparty and/or the admissibility of a transaction. The evaluation models in use within the Group take into consideration:

- the specific features of the different types of counterparties, with particular reference to the Corporate segment (companies/producer households), Retail (consumers) and Institutional (bank counterparties);
- the specific features of the product involved, distinguishing between short, medium and long-term types of credit, or specialized technical forms (leases, factoring, consumer credit).

In general, the evaluation models use all the available updated information on the counterparty/transaction, drawn both from external sources (e.g. the Bank of Italy Central Credit Register and similar association databases, credit bureaus, financial statements, registry events) and internal sources (internal performance information).

The Group adopts a counterparty approach in assigning ratings except in specific cases in which the counterparty assessment is supplemented by a product-perspective evaluation, in consideration of any special features of a business. Using rating/scoring models, the Group assigns the counterparty a representative credit rating, adopting an on-line processing procedure, which is typically accessed through the electronic application processing system but also in batch mode, with the latter being adopted for periodic updating of ratings for all Bank customers (the loan position performance rating).

In compliance with the supervisory provisions governing the correct identification of the risk assumed, or to be assumed, in respect of a "group of connected clients", any legal or economic connections between clients are detected and evaluated by those responsible for analyzing creditworthiness during the application assessment phase of the lending process.

These objectives are achieved through an analysis that involves the acquisition of all available information such as financial statements, where available at Group level, or aggregated financial statements of the main entities involved, for subsequent processing, ad hoc information on intercompany items of a financial and operating nature that may not be reported in the financial statements, or on operating flows between Group companies, on the presence of centralized treasury operations and, more generally, on the activities, the market and the competitors of the Group and all entities connected with it.

The monitoring process envisaged by the model is independent with respect to classification status (for example, a position on which payments are being made regularly but has been classified as unlikely to pay due to another non-performing exposure in the system). It is based on the following:

- the use of early warning indicators that permit timely detection of risk signals;
- the definition and attribution of responsibilities in the monitoring process;
- the definition and execution of risk mitigation actions;
- the generation of appropriate information flows between the bank and the Parent Company.

More specifically, within the process we distinguish:

- a phase in which early warning signals are identified, using risk indicators to detect exposures affected by an appreciable increase in credit risk in order to analyze their risk profile and take appropriate management actions;
- a management phase, aimed at examining the identified positions and taking, where necessary, specific management actions in order to promptly mitigate the risk of a deterioration in the position.

The identification of the positions under observation, using IT support procedures, can be carried out manually (i.e. based on the “manual” acquisition of information about, for example, significant changes in the corporate group to which the counterparty belongs, failure to comply with covenants, voluntary declarations of difficulties made by the counterparty, news reports, etc.), or using automated processes, i.e. procedures based on a set of indicators (from external or internal sources, regarding the relationship between the bank and the counterparty, or the capital structure and financial resources of the latter) that enable the timely detection of signs of distress and permit an assessment of the riskiness of the relationship.

Automated identification must be based on a set of indicators that enable the timely detection of signs of distress and permit an assessment of the riskiness of the relationship (directly related to the client’s relationship with the Bank or the client’s financial structure, based on data from external or internal sources). These indicators are differentiated on two levels (1 and 2) that indicate an increasing degree of risk, In the case of level 2 indicators, the position undergoes an analysis of counterparty creditworthiness, which may involve a re-examination of the borrower, in order to verify the capacity of the client to honor its commitments through to full repayment.

The process of managing “watchlist” exposures therefore enables the analysis of the risk profile of counterparties and the definition of appropriate management actions in the context of the monitoring processes with a view to returning the position to normal status or mitigating the risk connected with the exposure.

RISK MEASUREMENT AND ASSESSMENT

For the purpose of calculating prudential requirements for credit risk, the Group uses the standardized approach envisaged under prudential regulations (Regulation (EU) No. 575/2013 of the European Parliament and the Council of June 26, 2013 - CRR).

The adoption of the standardized approach to determine the capital requirement against credit risk involves the subdivision of exposures into portfolios and the application of differentiated prudential treatments to each, possibly using assessments of creditworthiness (external ratings) issued by external agencies (ECAI) or by export credit agencies (ECA) recognized for prudential purposes on the basis of the provisions of Regulation (EU) 575/2013.

Depending on the type of counterparty and the sector in which it operates, the Group’s operations also open it to the risk of being excessively exposed to an individual counterparty (single name) or a specific sector/geographical area (geo-sectoral).

For the purposes of determining internal capital for concentration risk for individual counterparties or groups of connected clients, the Group uses the regulatory granularity adjustment (GA) algorithm, based on the Herfindahl index. In accordance with regulatory provisions, the reference portfolio consists of on-balance-sheet and off-balance sheet exposures (the latter considered at their credit equivalent amount) falling within the regulatory portfolios “corporates and other borrowers”, “short-term exposures to corporates” and exposures to corporates included in the asset classes “in default”, “secured by real estate”, “equity exposures” and “other exposures”.

Furthermore, for the purpose of quantifying geo-sectorial concentration risk, the Group adopts the methodology developed by the “Geo-Sectoral Concentration Risk Laboratory” of the Italian Banking Association (ABI), which sets geographical and product categories against a national asset allocation benchmark.

The Group periodically performs stress tests for credit and concentration risks in order to assess - in terms of potential losses - the impact of expected risk developments on the financial profile of the Group and the individual entities under both normal and adverse operating conditions.

The stress test methods are based on regulatory practices and are applied in various management and risk governance processes, starting with the capital adequacy assessment process (ICAAP), as well as in the performance of supervisory exercises.

The methodological and calculation structure of credit stress tests is based on the use of internal risk models and parameters and incorporates a credit risk projection approach (transitions between stages/risk states) and determination of related losses over the scenario years (12-month

or lifetime expected credit loss) based on the measurement of IFRS 9 impairment.

The projections of the estimates for the scenario years are performed considering the macroeconomic scenario assumptions in the adopted scenarios (in baseline or adverse conditions), using models, which estimate the relationship between risk factors and developments in macroeconomic variables.

With regard to stress testing of single-name concentration risk, the granularity adjustment approach is applied using the PD determined in the adverse scenario, while for the purpose of quantifying the geo-sectorial concentration risk in stress conditions, the calculation provides for an increase in the exposure to the sector (ATECO classification) with the greatest concentration, in addition to the corresponding level of risk tolerance defined in the RAS framework.

RISK MONITORING AND CONTROL

In accordance with supervisory regulations (Bank of Italy Circular no. 285/2013), the Risk Management function performs - at both the consolidated and individual legal entity levels - credit risk control activities designed to ascertain that the activities performed in all phases of the lending process ensure the effective monitoring and adequate representation of credit risk, identifying any hidden risks and guiding correct/adequate risk management, classification and evaluation. These activities are accompanied by the ongoing controls of the Risk Management function through analysis of developments in the exposure to credit risk of the Group as a whole and of the individual entities.

The Internal Audit unit performs third-level controls, verifying the adequacy and comprehensiveness of the processes and activities performed by the relevant units, the consistency and validity of the analyses performed and the associated findings.

The locus of the strategic and operational management of credit risk is the Group’s Risk Appetite Statement, through a comprehensive system of risk objectives and limits (appetite, tolerance and capacity) at both the consolidated and individual entity levels, with compliance ensured by the monitoring and control activities of the function.

Monitoring and reporting on the credit risk profile is characterized by activities that involve both the business functions and the control functions, in accordance with their respective responsibilities. In particular, monitoring is ensured both by aggregate portfolio performance analyzes and by analyzes carried out on individual positions.

The Risk Management function monitors the credit risk profile – at both the consolidated and individual affiliated bank and Group company level, using an analytical framework and related reporting based on a system of key risk indicators. It is designed to monitor the loan portfolio, at both the time exposures are taken on and during their lifetime, the outcomes of which are reported regularly to top management. In this context, the analytical methods and the related reporting undergo constant fine-tuning in order to represent the drivers underlying developments in credit risks in an ever more effective manner, reflecting changes in the regulatory environment as well as management requirements and to support decision-making.

Risk Management has also centrally defined the "Credit Risk Control 285" framework. This is intended to govern, based on the set of governance, management and control mechanisms adopted by the Iccrea Cooperative Banking Group for credit risk, the analysis, identification and control activities performed by the Risk Management function pursuant to Circular 285 (hereinafter “Credit Risk Control 285” or “285 Controls”).

During 2022, the evolution the framework was completed. The evolutionary modifications applied in the 2022 control cycle included:

- the introduction, prior to the start of the activities, of an operating guideline qualifying the elements to calibrate and direct the risk control activities by integrating the ordinary analysis system with the developments in the internal and external environment of the Group;
- the evolution of the control framework, in order to:
    - optimize the mass analysis methodology for banks' portfolios, aimed at defining a level of potential anomaly associated with each legal entity of the Group, using a subset of indicators applied to all stages of the lending process;
    - concentrate, from a risk-driven perspective, single file controls on the correct identification and classification of anomalous positions, as well as performing adequate credit assessment in the event of the anomalous performance of a credit position as a significant effect of credit risk management;
    - identify any segments of the portfolio for activation of the single file controls, in addition to those envisaged in the ordinary system in line with the operational guidelines (contingency sampling).

The analytical system introduced in 2022 therefore implemented the evolutionary interventions of the framework presented above, which had undergone testing from the start of the pandemic emergency, focusing activities on the effective identification of credit anomalies, giving ample space for investigation to the “contingency scope”, which goes beyond the “ordinary scope” of investigation, i.e. positions potentially impacted by the Russia-Ukraine conflict and counterparties classified as forborne performing.

2.3 METHODS FOR MEASURING EXPECTED LOSSES

Iccrea Banca has adopted a framework for determining impairment based on risk assessment models and the corresponding parameters used in operational and management practices by the Parent Company and individual Group entities. In accordance with the provisions of IFRS 9, the methods for measuring expected losses on impaired exposures are based on the following elements:

- a 3-stage (stage allocation) approach, based on changes in credit quality, defined on a model of 12-month expected loss or lifetime expected loss if a significant increase in credit risk is detected. The standard provides for three different categories that reflect the deterioration in credit quality since initial recognition:
  - Stage 1: financial assets originated and/or purchased that do not exhibit objective evidence of impairment at the date of initial recognition or that have not experienced a significant deterioration in their credit quality since the date of initial recognition or which have low credit risk (low credit risk exemption);
  - Stage 2: financial assets whose credit quality has deteriorated significantly since the date of initial recognition;
  - Stage 3: financial assets that exhibit objective evidence of loss at the reporting date. The population of these exposures is consistent with those considered "impaired" under IAS 39.
- application of "point-in-time" formulations of the parameters for measuring credit risk for the purpose of calculating impairment;
- calculation of lifetime expected credit loss for exposures not classified in Stage 1, using lifetime parameters;
- inclusion of forward-looking conditioning in the calculation of ECL, considering the average loss from each scenario and the associated probability-weighted likelihood of each outcome;
- staging and transfers of financial assets between the stages.

In accordance with the standard, the Iccrea Group allocates each asset/tranche to one of the following three stages:

- stage 1, which includes all performing positions/tranches that, as at the reporting date, meet the condition for the low credit risk exemption (PD less than 0.30%), or that do not show a significant increase in credit risk with respect to the level measured at the date of disbursement or purchase;
- stage 2, which includes all performing positions/tranches that at the time of assessment simultaneously meet the following two conditions: i) they have a PD greater than the threshold for the low credit risk exemption; ii) they have experienced a significant increase in credit risk with respect to the level measured at the origination date; in the absence of a rating/PD at the reporting date, exposures are generally allocated to stage 2 (without prejudice to the additional considerations and practices addressed below);
- stage 3, which includes all exposures that, as at the evaluation date, are classified as non-performing under the default definition adopted. They are governed by specific internal rules in conformity with supervisory regulations.

The staging method was developed on the basis of the following drivers.

The method developed for the loan portfolio envisages:

- the use of the low credit risk (LCR) criterion, under which credit risk is deemed to have not increased significantly if the exposure shows a low level of credit risk at the reporting date, essentially defined as a PD threshold 30% at the reporting date equal to investment grade;
- the use of quantitative criteria based on rating/scoring systems, involving the analysis and comparison of the PD/rating at origination with the PD/rating at the reporting date. This identifies, on the basis of thresholds of significance defined in terms of the number of notches that a rating has changed, any significant increase in credit risk on the position.
- the use of qualitative staging criteria to identify the riskiest positions in the performing portfolio. These criteria have been defined independently of the use (or not) of the quantitative criteria referred to in the previous point and are based on the identification of objective evidence of impairment, such as the presence of forbearance measures, positions more than 30 days past due.

The staging methodology developed for the securities portfolio is applicable to the entire portfolio of debt securities outstanding at the reporting date for the various Group entities. Not included in the calculation of impairment, and therefore not subject to the staging mechanism, are shares, equity investments, units of collective investment undertakings, securities classified as held-for-trading and debt securities that do not pass the benchmark test and the SPPI test.

The approach adopted for the securities portfolio provides for the use of the principle of the low credit risk exemption, which allocates to stage 1 exposures with a conditional 12-month PD below the investment grade threshold. Exposures with a conditional 12-month PD above that threshold are allocated to stage 2.

Group entities with a securities portfolio use the external ratings of an ECAI at the tranche level. For the purpose of assigning a rating to securities exposures at the reporting date, only ECAIs with which a valid information-use agreement is in place are used.

Starting from the allocation of exposures in the different stages, the calculation of expected losses (ECL) is carried out, at the level of each position, on the basis of the estimated risk parameters (EAD, PD, LGD) using internal management models, performed in compliance with the requirements of the applicable accounting standard.

In particular, for the purposes of determining the probability of default (PD), the approach adopted for both the loan portfolio and the securities portfolio envisages:

- the transformation of the “through-the-cycle” PD into (or calculation of) the “point-in-time” (PIT) PD on the time horizon for the most recent historical observations;
- the inclusion of forward-looking scenarios through the application of multipliers representing macroeconomic forecasts to the PIT PD and the definition of a series of possible scenarios and the associated probability of occurrence that incorporate future macroeconomic conditions in the estimates;
- the transformation of the 12-month PD into a lifetime PD in order to estimate the PD term structure over the entire residual life of the loans.

Loss given default (LGD) is determined using a "block" approach, determined by the combination of parameters relating respectively to the pre-litigation phase (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan).

For the securities portfolio, the unconditioned LGD measures are the same for both stage 1 and stage 2 exposures. In particular, an unconditioned LGD of 45% is used, subsequently subjected to forward-looking conditioning, consistent with the scenarios and the probabilities of occurrence used for conditioning the PD.

Exposure at Default (EAD) is calculated on the basis of the amortized cost schedules of the individual relationships for both loans and debt securities. For exposures relating to margins, EAD is determined by applying a specific Credit Conversion Factor (CCF) to the nominal value of the position.

For the purposes of calculating ECL under IFRS 9, the risk parameters are estimated from a forward-looking perspective through conditioning to macroeconomic scenarios. The approach adopted consists in the use of forecast values for the exogenous macroeconomic variables in the satellite models estimated internally and the associated conditioning approach for each forecast year. In order to reflect the different forward-looking riskiness of the positions assessed in the ECL estimates, those satellite models are differentiated, in particular the PD, by type of counterparty, sector of economic activity and geographical area. To determine the macroeconomic conditioning measures to be applied in the calculation, two types of scenarios are used, the first relating to an ordinary economic situation (or “baseline”), the other to an adverse situation (“worst plausible scenario “), which is associated, using judgment, with the corresponding probability of occurrence.

On the occasion of the closure of the financial statements at December 31, 2022, the measures delineated in the multi-year Credit Risk Models Evolution (CRME) were completed for the purposes of calculating the IFRS 9 impairment of the Group's performing credit exposures. The CRME concerns the evolution of the models for measuring credit risk parameters and specific measures to update the IFRS 9 framework. Specifically, the following modifications of the credit risk measurement models were completed:

- updating the Probability of Default (PD) models, which hinges on the development of the new version of the internal rating system (AlvinRating 6.0) through the introduction of the single behavioral model at Group level, with the associated re-estimation of the PDs and updating of the rating scale;
- development of "block" LGD models, including the parameters necessary for appropriate quantification in the accounts, based on the combination of parameters connected, respectively, with the pre-litigation phases (probability of reclassification as bad loans, exposure delta, performing LGD closure) and litigation (loss given bad loan);
- replacement of the "PD Satellite Models" with models developed internally using the most advanced methodologies available. This evolution enables the Group to internalize the models, reducing dependence on an external supplier of the macroeconomic scenarios and, at the same time, to respond more quickly and with greater precision to the constant demand for in-depth analysis generated by the delicate and changing macroeconomic environment we are currently experiencing;
- updating of the "LGD Satellite Models" to take appropriate account of the reconstruction and updating of the historical databases of position recoveries;
- evolution of the forward-looking conditioning framework for PD, using the Merton-Vasicek methodology.

The methodological developments concerning the above projects also envisage conservative adjustments, defined as in-model adjustments, intended to both address any weaknesses still present in the models and avoid the incorporation of possible distortions created by the pandemic.

Finally, other specific interventions on the IFRS 9 impairment framework were implemented to ensure greater prudence in respect of specific sub-portfolios that could be made more fragile from the point of view of creditworthiness by the uncertainty of the current macroeconomic context, which cannot be entirely captured by models. For this reason, with effect from the closures of the year ending December 31, 2022, a specific overlay was introduced that takes account of this uncertainty on certain segments of the loan portfolio: private individuals with variable-rate loans, firms impacted by the "gas stoppage scenario", customers with active forbearance measures and customers already benefitting

from a loan repayment moratorium.

2.4 CREDIT RISK MITIGATION TECHNIQUES

As required by Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), the Group is strongly committed to compliance with all the requirements for the appropriate application of credit risk mitigation (CRM) techniques in accordance with the standardized approach for the calculation of capital requirements both for internal management and regulatory purposes.

Specific guidelines issued by the Parent Company are currently in force for the Group. They define common rules and principles for the direction, governance and standardized management of risk mitigation techniques, best practices and regulatory requirements in this field.

Specifically, under the current credit policy, the CRM techniques recognized for all capital requirement calculation methods are divided into two general categories:

- funded credit protection, consisting of:
  - collateral, represented by cash deposits, financial instruments that meet certain requirements, and gold. These guarantees can be provided through pledge agreements, transfer of ownership with a guarantee function, repurchase agreements or securities lending arrangements. The Group has implemented systems to a) verify the acceptability of these guarantees and value the assets at the time of acceptance and, where applicable, determine the haircuts to be applied to the collateral; and b) ensure the continuing compliance of the guarantees with eligibility requirements through continuous monitoring, governed and supported appropriately by internal procedures;
  - master netting agreements that involve repurchase agreements, securities lending arrangements, loans with margins as well as OTC derivatives;
  - on-balance-sheet netting;
  - real estate mortgages and property lease transactions involving properties that have the characteristics required by law;
- unfunded credit protection, consisting of: i) unsecured guarantees; ii) credit derivatives.

Unsecured guarantees eligible for CRM purposes consist of all forms of credit protection provided by the entities (providers) specified in Article 201 of the CRR (central governments, central banks, international organizations, public sector entities, regional governments and local authorities, multilateral development banks, supervised intermediaries). Accordingly, guarantees issued by natural persons or legal entities not included in the list indicated in the legislation do not fall within the risk mitigation techniques for calculating capital requirements, but are not excluded from the Group’s catalog of guarantees, which comprises not only the guarantees eligible for CRM purposes, but also guarantees not eligible for CRM purposes, as mentioned above.

Credit risk mitigation techniques may include guarantees provided by collective loan guarantee consortia in accordance with applicable regulations in the presence of suitable counter-guarantees (for example the Central Guarantee Fund for SMEs) for the portion they secure.

The different CRM techniques, whether funded or unfunded, are subject to both general and specific eligibility requirements that must be met at the time the guarantee is established and for the entire duration of the guarantee.

The general requirements, which are intended to ensure legal certainty and the effectiveness of the guarantees, mainly concern:

- the binding nature of the legal commitment between the parties and its enforceability in court;
- the technique used to provide the credit protection together with the actions and steps taken and procedures and policies implemented by the lending institution shall be such as to result in credit protection arrangements which are legally effective and enforceable in all relevant jurisdictions. The lending institution shall provide, upon request of the competent authority, the most recent version of the independent, written and reasoned legal opinion or opinions that it used to establish whether its credit protection arrangement or arrangements meet the condition laid down in the first subparagraph” (see Article 194 of the CRR);
- the lending institution shall take all appropriate steps to ensure the effectiveness of the credit protection arrangement and to address the risks related to that arrangement;
- the timeliness with which the guarantee may be liquidated in the event of default;
- the formalization of techniques and operating procedures adequate to ensure continuing compliance over time with the general and specific requirements required for CRM techniques. These procedures must be valid and applied by all Group companies in order to avoid possible inconsistencies in the assessment. Checks shall be carried out in relation to the current legal value of the documentation submitted, the impact of any changes in the regulatory framework and the consequent initiatives to be taken. Risks related to the ineffectiveness, reduction or termination of the protection (“residual risks”) as well as valuation and potential concentration risks in respect of specific counterparties shall also be controlled and managed.

Specific requirements are established for the individual CRM techniques in relation to their features and are intended to ensure a high level of

effectiveness of the credit protection.

3. IMPAIRED CREDIT EXPOSURES

3.1 MANAGEMENT STRATEGIES AND POLICIES

According to the EBA definition, non-performing exposures satisfy either or both of the following criteria:

- material exposures which are more than 90 days past-due;
- the debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Impaired exposures are classified by increasing degree of severity in the following three categories:

- impaired past due and or overlimit exposures: exposures continuously past due or overlimit by more than 90 days in an amount exceeding the materiality thresholds (a relative materiality threshold equal to 1% of the entire exposure and an absolute materiality threshold of €100 and €500 for retail or corporate counterparties respectively;
- unlikely to pay (UTP) exposures: on- and off-balance sheet exposures for which the institution considers that the obligor is unlikely, without recourse to actions such as realizing security, to pay its credit obligations (principal and/or interest);
- default: on- and off-balance sheet exposures to an obligor in a state of insolvency (even if not declared by a court) or a substantially comparable situation, regardless of any expected loss.

The regulations also require that individual exposures, regardless of the classification of the counterparty, be identified as forborne exposures when they have been granted forbearance measures that meet the regulatory definition of such measures.

Such forborne exposures are in turned distinguished into:

- performing forborne, if the counterparty is classified as performing at the time the forbearance measures are granted and such measures do not require that the counterparty be classified differently;
- non-performing forborne, if the counterparty is already classified in one of the categories of non-performing at the time the forbearance measures are granted and such measures require that the counterparty be classified as non-performing.

Any other types of customer segmentation adopted by the affiliated banks and companies within the direct scope of consolidation for internal management purposes only (for example “watch list exposures”) in order to assess of specific situations, whether performed using automated system or manually, are mapped to the above categories, ensuring that the mapping method is immediately understandable and transparent.

In identifying forborne exposures, the regulations require a transaction-by-transaction approach, regardless of their classification (impaired past due and/or overlimit exposures, unlikely to pay exposures or defaults): although the state of financial difficulty must be ascertained at level of the debtor, only the exposures referred to the latter that have actually been granted forbearance measures must be classified as forborne.

These classification rules are further supplemented by that established in IFRS 9, according to which credit exposures must be allocated to three stages (for more details, see the previous discussion). Among impaired exposures, allocation to stage “3” is underscored, which occurs when the customer’s status changes to “non-performing”.

In organizational terms, the Group has governance and operational structures to enable the efficient and sustainable management of impaired loans. Specifically, the individual Group companies will implement their policies for the management and recovery of anomalous positions and NPLs by drafting of internal rules customized to reflect the characteristics of the territory in which they operate, the scale of operations, their business model and related organizational structure, always in compliance with the provisions of Group policy.

For the purposes of identifying non-performing exposures, the Group:

- applies a unified and harmonized definition of NPLs in all Group companies, consistent with the applicable regulatory provisions;
- considers legal and financial connections between counterparties and adopts a group perspective in identifying the exposure of a debtor as impaired (default propagation).

The Parent Company defines the strategy for managing non-performing exposures, which is approved and monitored by its Board of Directors. Specifically, the Parent Company defines the objectives in terms of reducing expected NPE levels at Group level and establishes, with the support of the Group companies, the objectives for the individual companies and the related management strategies to ensure a common commitment and a consistent approach to achieving the objectives. The implementation of the strategy is supported by the Parent Company through the delivery of specialized support services, the provision of tools to facilitate the uniform management of impaired positions and a Group operational plan, which is also approved by the Parent Company’s Board of Directors.

Furthermore, in order to enhance the commitment of the resources dedicated to the management of non-performing exposures in order to achieve the defined objectives, all Group companies have developed a system for measuring the performance of senior management and the organizational structures dedicated to management of non-performing exposures, which promotes, based on specific indicators, the commitment to managing such exposures.

In accordance with the principle of proportionality, the individual Group companies define their own performance evaluation and monitoring systems in line with Group policy. Specifically, it is considered necessary for Group companies to adopt performance indicators that take account of a set of quantitative and qualitative factors, including for example:

- developments in the stock of gross and net non-performing exposures, in line with the Group's Strategic Plan;
- methods for applying forbearance measures;
- the total amount recovered on the loan portfolio with a focus on collections, liquidations and asset sales;
- the aging of positions by recovery management phases;
- the regular performance of agreed restructuring plans;
- the application of writeoffs;
- the reduction of arrears and the improvement of portfolio quality.

3.2 WRITEOFFS

Writeoff means the derecognition from the bank's financial statements of a loan, or part of a loan, and the consequent recognition of a loss ascertainment that the exposure cannot be collected or it is uneconomic to continue any associated recovery activities under way. It may occur before the legal action to recover the financial assets are completed and does not necessarily entail waiver of the Bank's right to the asset. A writeoff may be total, and therefore regard the entire amount of a financial, or partial (in all those cases in which the claim recognized is smaller than the carrying amount, for example in insolvency proceedings). The amount of the writeoff must always take account of any expenses, including legal costs, accrued and not yet invoiced at the time of analysis.

A writeoff involves:

- the reversal of total writedowns against the gross value of the financial asset;
- for any part exceeding total writedowns, the impairment loss on the financial asset is recognized directly in profit or loss.

Any recoveries from collection after the recognition of the writeoff are recognized in profit or loss as writebacks.

Writeoffs recognized for unrecoverability refer to cases in which the Bank is in possession of documentation certifying the significant probability that the loan may not be recovered, in whole or in part. Specifically, the irrecoverable status of the loan must be attested to by certain and specific circumstances, such as for example:

- the obligor, co-obligors and/or connected guarantors are untraceable or destitute;
- there has been no recovery from enforcement of guarantees or collateral and seizures;
- the period of limitations has passed;
- insolvency proceedings have been closed with incomplete restitution for the bank, in the absence of further guarantees that could be enforced;
- it is impossible to take further action in consideration of the overall financial position and income situation of the obligors and co-obligors (guarantors included);
- all legal or out-of-court actions have, following a careful examination of updated documentation (by way of partial example, commercial information, title searches, searches, etc.), already been carried out or are deemed inappropriate.

Writeoffs recognized because further action would be uneconomic occur when it is recognized, and can be demonstrated, that the costs related to the continuation of loan recovery actions (for example: legal, administrative and other costs) would exceed the value of the financial asset that is expected to be recovered.

3.3 FINANCIAL ASSETS PURCHASED OR ORIGINATED CREDIT IMPAIRED

Financial assets purchase or originated credit impaired ("POCI") are credit exposures that are impaired upon initial recognition.

Such exposures may arise both from the purchase of impaired credit exposures from third parties or from the restructuring of impaired exposures that involved the grant of new financing that is significant in absolute or relative terms in proportion to the amount of the original exposure.

These exposures are managed, measured and monitored in accordance with the principles discussed in previous sections. In particular, the expected credit losses recorded at initial recognition in the carrying amount of the instrument are reviewed periodically based on the processes described in the preceding sections.

The expected loss for these exposures is always calculated over their lifetime and the exposures are conventionally reported under stage 3, or stage 2 if, following an improvement in the credit quality of the counterparty since initial recognition, the assets are performing.

Such assets are never classified under stage 1 since the expected credit loss must be calculated on a lifetime basis.

4 FINANCIAL ASSETS SUBJECT TO COMMERCIAL RENEGOTIATIONS AND EXPOSURES GRANTED FORBEARANCE MEASURES

Renegotiations of financial instruments that result in a change in the contractual conditions may be associated with:

- commercial initiatives that may be defined specifically for each customer or applied to categories of customer, perhaps as a result of dedicated initiatives promoted by public bodies or banking associations;
- the renegotiation of financial instruments prompted by the debtor's financial difficulties (forbearance).

The key objective of granting forbearance measures is to pave the way for non-performing borrowers to exit their non-performing status, or to prevent performing borrowers from reaching a non-performing status. Forbearance measures should always aim to return the exposure to a situation of sustainable repayment.

The status of forborne must be associated with the individual exposure. Accordingly, a forborne exposure can be classified as performing forborne or non-performing forborne depending on the status of the counterparty to which these exposures are attributable.

In order to classify new concessions granted to a customer as forbearance measures, the following must occur:

- compliance of the measures with the notion of "forbearance" provided for in Regulation (EU) 227/2015;
- the borrower must currently or prospectively be in a situation of financial difficulty at the date of the measure is approved.

The applicable regulations define the following concessions to be potentially identifiable as forbearance*:*

- contract modifications granted by the Bank in favor of a debtor solely in consideration of the debtor's financial difficulties;
- the grant by the Bank of total or partial refinancing to a debtor in financial difficulties in order to enable the debtor to repay an existing obligation to the bank; this case also includes additional finance operations aimed at the completion-optimization of an existing obligation to the bank;
- contract modifications that can be requested by a debtor under the terms of a contract already agreed by the Bank in the knowledge that the debtor is experiencing financial difficulties (embedded forbearance clauses).

Concessions qualifying as forbearance measures, regardless of the form adopted (renegotiation or refinancing) must therefore give the borrower more favorable treatment compared with to the contractual terms originally agreed with the Group company or compared with the terms conditions that would be granted to other borrowers with the same risk profile. Furthermore, they must be exclusively intended to enable the borrower to honor the new commitments and deadlines.

Contract modifications and renegotiations granted solely for commercial reasons/practice do not qualify as forbearance measures since, even though the modification may be a concession measure, the debtor is not experiencing financial difficulties. Debtors can always request modifications to the contractual terms of their loans without experiencing difficulty in meeting their financial obligations.

Loan moratoriums (payment holidays) granted without discrimination between type of obligation or debtor in order to support areas hit by natural disasters also do not qualify as forbearance measures.

Finally, the forbearance measures must always be financially sustainable for the debtor and not increase costs (main and ancillary), as this might qualify the transaction as usury (Article 644, third paragraph, of the Criminal Code).

Forbearance measures may be short- or long-term depending on the temporary or permanent nature of the financial difficulty. In particular, Short-term forbearance measures are defined as restructured repayment conditions of a temporary nature that do not address the resolution of outstanding arrears and generally do not exceed two years.

An assessment of the financial situation of the debtor should not be limited to exposures with apparent signs of financial difficulties. An assessment of financial difficulties should also be conducted for exposures where the debtor does not have apparent financial difficulties, but where market conditions have changed significantly in a way that could impact the ability to repay.

The assessment of any financial difficulties on the part of a debtor should be based on the situation of the debtor only, disregarding collateral or any guarantees provided by third parties. Furthermore, the notion of "debtor" should include all the natural and legal persons belonging to the debtor's group: the assessment must comprise such persons in order to determine whether situations of difficulty at the group level could compromise the capacity of the debtor to fulfill its obligations to the Group lender.

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QUANTITATIVE DISCLOSURES

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR

A.1.1 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNT)

	Bad loans	Unlikely to be repaid	Impaired past due exposures	Performing past due positions	Other performing positions	Total
1. Financial assets measured at amortized cost	4,753	30,567	2,137	40,878	50,995,170	51,073,505
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	793,768	793,768
3. Financial assets designated as at fair value	-	-	-	-	270,820	270,820
4. Other financial assets mandatorily measured at fair value	-	-	-	-	63,210	63,210
5. Financial assets held for sale	2,310	3,128	-	-	-	5,438
Total 31/12/2022	7,063	33,695	2,137	40,878	52,122,967	52,206,741
Total 31/12/2021	22,024	38,302	2,452	35,497	49,596,768	49,695,043

A.1.2 DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

	Impaired				Unimpaired			
	Gross exposure	Total writedowns	Net exposure	Total partial writeoffs *	Gross exposure	Total writedowns	Net exposure	Total (net exposure)
1. Financial assets measured at amortized cost	154,204	116,747	37,457	29,478	51,099,130	63,082	51,036,048	51,073,505
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	795,384	1,617	793,768	793,768
3. Financial assets designated as at fair value	-	-	-	-	X	X	270,820	270,820
4. Other financial assets mandatorily measured at fair value	-	-	-	-	X	X	63,210	63,210
5. Financial assets held for sale	23,249	17,811	5,438	-	-	-	-	5,438
Total 31/12/2022	177,453	134,558	42,895	29,478	51,894,514	64,699	52,163,846	52,206,741
Total 31/12/2021	269,963	207,185	62,779	24,681	49,372,810	90,250	49,632,265	49,695,043

	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	1,742,126
2. Hedging derivatives	-	-	570,702
Total 31/12/2022	-	-	2,312,828
Total 31/12/2021	-	-	497,835

* Values to be reported for information purposes

A.1.3 DISTRIBUTION OF FINANCIAL ASSETS BY TIME PAST DUE (CARRYING AMOUNT)

	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
	Up to 30 days	From 30 to 90 days	More than 90 days	Up to 30 days	From 30 to 90 days	More than 90 days	Up to 30 days	From 30 to 90 days	More than 90 days	Up to 30 days	From 30 to 90 days	More than 90 days
1. Financial assets measured at amortized cost	18,098	4,225	-	13,870	4,467	218	589	4,159	15,495	-	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-	-	-	5,143	-	-	-
Total 31/12/2022	**18,098**	**4,225**	**-**	**13,870**	**4,467**	**218**	**589**	**4,159**	**20,638**	**-**	**-**	**-**
Total 31/12/2021	**6,609**	**63**	**-**	**19,151**	**4,156**	**5,518**	**1,244**	**1,086**	**35,704**	**-**	**-**	**-**

A.1.4 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND GUARANTEES ISSUED: DEVELOPMENTS IN TOTAL WRITEDOWNS AND TOTAL PROVISIONS

	Total writedowns																	
	Stage 1						Stage 2						Stage 3					
	Demand claims on banks and central banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Demand claims on banks and central banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Demand claims on banks and central banks	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Opening balance	**636**	**23,165**	**166**	**3**	**-**	**23,971**	**177**	**66,532**	**384**	**-**	**-**	**67,092**	**-**	**207,185**	**-**	**-**	**207,185**	**-**
Increases in financial assets purchased or originated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition other than write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	(35,643)	-	-	(35,643)	-
Net writedowns/writebacks for credit risk	(231)	(1,730)	-	(3)	-	(1,964)	(63)	(21,834)	-	-	-	(21,897)	-	(41,414)	-	17,811	(23,603)	-
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in estimation method	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Writeoffs not recognized directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,522)	-	-	(13,522)	-
Other changes	-	(792)	84	-	-	(708)	(74)	(2,259)	983	-	-	(1,350)	-	141	-	-	141	-
Closing balance	**405**	**20,644**	**250**	**-**	**-**	**21,299**	**40**	**42,438**	**1,367**	**-**	**-**	**43,845**	**-**	**116,747**	**-**	**17,811**	**134,558**	**-**
Recoveries from collection on written-off financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Writeoffs recognized directly through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	Total writedowns					Total provisions for commitments to disburse funds and financial guarantees issued				Total
	of which: purchased and originated credit-impaired									
	Financial assets measured at amortized cost	Financial assets measured at fair value through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Stage 1	Stage 2	Stage 3	Commitments to disburse funds and financial guarantees purchased or originated credit impaired	
Opening balance	**-**	**-**	**-**	**-**	**-**	**7,821**	**14,579**	**9,571**	**-**	**330,220**
Increases in financial assets purchased or originated	X	X	X	X	X	-	-	-	-	**-**
Derecognition other than write-offs	-	-	-	-	-	-	-	-	-	**(35,643)**
Net writedowns/writebacks for credit risk	-	-	-	-	-	818	(3,311)	1,321	-	**(48,636)**
Contractual modifications without derecognition	-	-	-	-	-	-	-	-	-	**-**
Change in estimation method	-	-	-	-	-	-	-	-	-	**-**
Writeoffs not recognized directly through profit or loss	-	-	-	-	-	-	-	-	-	**(13,522)**
Other changes	-	-	-	-	-	-	-	-	-	**(1,917)**
Closing balance	**-**	**-**	**-**	**-**	**-**	**8,639**	**11,268**	**10,892**	**-**	**230,501**
Recoveries from collection on written-off financial assets	-	-	-	-	-	-	-	-	-	**-**
Writeoffs recognized directly through profit or loss	-	-	-	-	-	-	-	-	-	**-**

A.1.5 FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS AND NOMINAL VALUES)

	Gross exposure/nominal value					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From stage 1 to stage 2	From stage 2 to stage 1	From stage 2 to stage 3	From stage 3 to stage 2	From stage 1 to stage 3	From stage 3 to stage 1
1. Financial assets measured at amortized cost	245,154	245,913	16,599	8,230	2,190	461
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments to disburse funds and financial guarantees issued	5,480	17,375	126	-	2,485	-
Total 31/12/2022	**250,634**	**263,288**	**16,725**	**8,230**	**4,675**	**461**
Total 31/12/2021	**758,940**	**35,515**	**4,917**	**19,687**	**1,499**	**372**

A.1.5A LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: TRANSFERS BETWEEN CREDIT RISK STAGES (GROSS VALUES)

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

A.1.6 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. On-balance-sheet exposures												
A.1 Demand	**814,301**	**791,337**	**22,964**	**-**	**-**	**91**	**51**	**40**	**-**	**-**	**814,209**	**-**
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	814,301	791,337	22,964	X	-	91	51	40	X	-	814,209	-
A.2 Other	**35,829,213**	**35,585,859**	**137,253**	**-**	**-**	**2,127**	**292**	**1,836**	**-**	**-**	**35,827,085**	**-**
a) Bad loans	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to be repaid	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Impaired past due exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Unimpaired past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other unimpaired assets	35,829,213	35,585,859	137,253	X	-	2,127	292	1,836	X	-	35,827,085	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
Total (A)	**36,643,514**	**36,377,195**	**160,217**	**-**	**-**	**2,219**	**343**	**1,876**	**-**	**-**	**36,641,295**	**-**
B. Off-balance-sheet exposures												
a) Impaired	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	8,959,414	6,659,383	21,166	X	-	10	5	4	X	-	8,959,404	-
Total (B)	**8,959,414**	**6,659,383**	**21,166**	**-**	**-**	**10**	**5**	**4**	**-**	**-**	**8,959,404**	**-**
Total (A+B)	**45,602,927**	**43,036,578**	**181,383**	**-**	**-**	**2,228**	**348**	**1,880**	**-**	**-**	**45,600,699**	**-**

** Values to be reported for information purposes*

A.1.7 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

	Gross exposure					Total writedowns and total provisions					Net exposure	Total partial writeoffs *
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. On-balance-sheet exposures												
a) Bad loans	43,988	X	-	43,988	-	36,926	X	-	36,926	-	7,063	29,478
- of which: forborne exposures	7,767	X	-	7,767	-	6,223	X	-	6,223	-	1,543	470
b) Unlikely to be repaid	130,751	X	-	130,751	-	97,057	X	-	97,057	-	33,695	-
- of which: forborne exposures	86,494	X	-	86,494	-	67,643	X	-	67,643	-	18,851	-
c) Impaired past due exposures	2,713	X	-	2,713	-	576	X	-	576	-	2,137	-
- of which: forborne exposures	201	X	-	201	-	63	X	-	63	-	138	-
d) Unimpaired past due exposures	43,086	22,480	20,606	X	-	2,207	157	2,050	X	-	40,878	-
- of which: forborne exposures	1,189	-	1,189	X	-	121	-	121	X	-	1,068	-
e) Other unimpaired assets	16,365,081	15,382,496	745,821	X	-	60,364	20,445	39,919	X	-	16,304,717	-
- of which: forborne exposures	150,391	222	150,170	X	-	12,785	2	12,783	X	-	137,607	-
Total (A)	**16,585,619**	**15,404,975**	**766,427**	**177,453**	**-**	**197,129**	**20,602**	**41,969**	**134,558**	**-**	**16,388,491**	**29,478**
B. Off-balance-sheet exposures												
a) Impaired	16,385	X	-	16,385	-	10,892	X	-	10,892	-	5,492	-
b) Unimpaired	2,850,734	2,419,029	201,171	X	-	19,897	8,633	11,264	X	-	2,830,837	-
Total (B)	**2,867,119**	**2,419,029**	**201,171**	**16,385**	**-**	**30,790**	**8,633**	**11,264**	**10,892**	**-**	**2,836,329**	**-**
Total (A+B)	**19,452,738**	**17,824,004**	**967,598**	**193,837**	**-**	**227,919**	**29,235**	**53,233**	**145,450**	**-**	**19,224,819**	**29,478**

* Values to be reported for information purposes

A.1.7A LOANS INVOLVED IN COVID-19 SUPPORT MEASURES: GROSS AND NET VALUES

Gross exposure	Total writedowns and total provisions					Gross exposure					Net exposure	Total partial writeoffs *
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. Bad loans	**5,111**	**-**	**-**	**5,111**	**-**	**3,370**	**-**	**-**	**3,370**	**-**	**1,741**	**-**
a) Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Loans subject to other forbearance measures	2,656	-	-	2,656	-	2,168	-	-	2,168	-	488	-
d) New loans	2,456	-	-	2,456	-	1,202	-	-	1,202	-	1,254	-
B. Unlikely to pay	**21,660**	**-**	**-**	**21,660**	**-**	**17,530**	**-**	**-**	**17,530**	**-**	**4,131**	**-**
a) Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Loans subject to other forbearance measures	19,013	-	-	19,013	-	15,942	-	-	15,942	-	3,071	-
d) New loans	2,647	-	-	2,647	-	1,588	-	-	1,588	-	1,059	-
C. Impaired past-due	**986**	**-**	**-**	**986**	**-**	**201**	**-**	**-**	**201**	**-**	**785**	**-**
a) Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Loans subject to other forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) New loans	986	-	-	986	-	201	-	-	201	-	785	-
D. Performing past-due	**3,336**	**1,518**	**1,818**	**-**	**-**	**108**	**16**	**92**	**-**	**-**	**3,228**	**-**
a) Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Loans subject to other forbearance measures	160	-	160	-	-	18	-	18	-	-	143	-
d) New loans	3,176	1,518	1,658	-	-	90	16	75	-	-	3,085	-
E. Other performing	**618,378**	**497,620**	**120,758**	**-**	**-**	**7,029**	**1,832**	**5,197**	**-**	**-**	**611,350**	**-**
a) Loans subject to forbearance measures compliant with guidelines	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans involved in ongoing moratoriums no longer compliant with guidelines and not classified as subject to forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
c) Loans subject to other forbearance measures	59,786	-	59,786	-	-	3,926	-	3,926	-	-	55,860	-
d) New loans	558,592	497,620	60,972	-	-	3,102	1,832	1,271	-	-	555,490	-
Total (A+B+C+D+E)	**649,472**	**499,138**	**122,577**	**27,757**	**-**	**28,237**	**1,847**	**5,289**	**21,101**	**-**	**621,235**	**-**

A.1.8 BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS IMPAIRED POSITIONS

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

A.1.8 BIS ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

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

A.1.9 ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

	Bad loans	Unlikely to pay	Impaired past-due
A. Opening gross exposure	**110,613**	**155,265**	**4,086**
- of which: exposures assigned but not derecognized	-	-	-
B. Increases	**16,480**	**40,827**	**2,534**
B.1 from performing exposures	4,227	31,397	2,528
B.2 from purchased or originated impaired financial assets	-	-	-
B.3 from other categories of impaired exposures	8,027	1,157	-
B.4 contractual modifications without derecognition	-	-	-
B.5 other increases	4,226	8,273	6
C. Decreases	**83,105**	**65,341**	**3,907**
C.1 to performing exposures	-	8,494	2,686
C.2 writeoffs	10,470	3,052	-
C.3 collections	21,400	33,426	64
C.4 realized on disposals	10,383	4,700	-
C.5 losses on disposals	1,016	-	-
C.6 to other categories of impaired exposures	-	8,027	1,157
C.7 contractual modifications without derecognition	-	-	-
C.8 other decreases	39,836	7,643	-
D. Closing gross exposure	**43,988**	**130,751**	**2,713**
- of which: exposures assigned but not derecognized	-	-	-

A.1.9 BIS ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

	Impaired forborne exposures	Unimpaired forborne exposures
A. Opening gross exposure	**150,067**	**89,406**
- of which: exposures assigned but not derecognized	-	-
B. Increases	**28,462**	**94,520**
B.1 from performing exposures	2,639	86,113
B.2 from purchased or originated impaired financial assets	12,952	X
B.3 from other categories of impaired exposures	X	8,370
B.4 contractual modifications without derecognition	-	-
B.5 other increases	12,870	37
C. Decreases	**84,068**	**32,345**
C.1 to performing exposures	X	2,481
C.2 writeoffs	8,370	X
C.3 collections	X	12,952
C.4 realized on disposals	6,182	-
C.5 losses on disposals	35,755	16,911
C.6 to other categories of impaired exposures	11,189	-
C.7 contractual modifications without derecognition	55	-
C.8 other decreases	22,518	-
D. Closing gross exposure	**94,461**	**151,581**
- of which: exposures assigned but not derecognized	-	-

A.1.10 ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO BANKS: CHANGE IN TOTAL ADJUSTMENTS

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

A.1.11 ON-BALANCE-SHEET IMPAIRED CREDIT EXPOSURES TO CUSTOMERS: CHANGE IN TOTAL ADJUSTMENTS

	Bad loans		Unlikely to be repaid		Impaired past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening adjustments	**88,589**	**26,878**	**116,963**	**83,876**	**1,633**	**106**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-
B. Increases	**15,184**	**10,138**	**28,255**	**16,724**	**546**	**63**
B.1 writedowns of purchased or originated credit-impaired assets	-	X	-	X	-	X
B.2 other writedowns	6,755	3,710	27,477	11,231	546	63
B.3 losses on disposal	1,016	55	-	-	-	-
B.4 from other categories of impaired positions	6,967	6,374	391	-	-	-
B.5 contractual modifications without derecognition	-	-	-	-	-	-
B.6 other increases	445	-	387	5,494	-	-
C. Decreases	**66,847**	**30,792**	**48,161**	**32,957**	**1,604**	**106**
C.1 writebacks from valuations	1,820	314	4,020	2,670	3	-
C.2 writebacks from collections	11,868	10,749	20,542	8,062	-	-
C.3 gains on disposal	5,558	4,416	2,004	1,953	-	-
C.4 writeoffs	9,728	3,527	3,052	2,655	-	-
C.5 to other categories of impaired positions	-	-	6,967	6,374	391	-
C.6 contractual modifications without derecognition	-	-	-	-	-	-
C.7 other decreases	37,873	11,786	11,576	11,243	1,210	106
D. Total closing adjustments	**36,926**	**6,223**	**97,057**	**67,643**	**576**	**63**
- of which: exposures assigned but not derecognized	-	-	-	-	-	-

A.2 - CLASSIFICATION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES

A.2.1 DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY EXTERNAL RATING GRADES (GROSS VALUES)

	External rating grades						Not rated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Financial assets measured at amortized cost	**512,301**	**107,096**	**10,916,972**	**91,170**	**45,478**	**978**	**39,579,340**	**51,253,334**
- Stage 1	452,964	22,136	10,359,741	47,210	24,349	829	39,320,396	50,227,625
- Stage 2	59,337	82,550	555,772	43,959	21,129	148	108,609	871,505
- Stage 3	-	2,410	1,459	-	-	-	150,335	154,204
- Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
B. Financial assets measured at fair value through other comprehensive income	**30,827**	**27,313**	**706,386**	**26,851**	**-**	**-**	**4,007**	**795,384**
- Stage 1	27,491	27,313	697,425	6,973	-	-	4,007	763,209
- Stage 2	3,335	-	8,961	19,879	-	-	-	32,175
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**23,249**	**23,249**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	23,249	23,249
- Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
Total (A+B+C)	**543,127**	**134,409**	**11,623,358**	**118,021**	**45,478**	**978**	**39,606,596**	**52,071,967**
D. Commitments to disburse funds and financial guarantees issued	**113,292**	**28,010**	**998,525**	**4,949**	**143**	**1,499**	**8,317,055**	**9,463,472**
- Stage 1	100,228	20,094	898,443	4,743	-	1,499	8,199,745	9,224,751
- Stage 2	13,064	7,916	100,033	207	143	-	100,974	222,336
- Stage 3	-	-	49	-	-	-	16,336	16,385
- Purchased or originated credit-impaired financial assets	-	-	-	-	-	-	-	-
Total (D)	**113,292**	**28,010**	**998,525**	**4,949**	**143**	**1,499**	**8,317,055**	**9,463,472**
Total (A+B+C+D)	**(656,420)**	**(162,418)**	**(12,621,883)**	**(122,970)**	**(45,621)**	**(2,476)**	**(47,923,651)**	**(61,535,439)**

The distribution of the exposures shown in the table shows the breakdown by rating grade of the debtors referred to in the prudential regulations of the Bank of Italy and are provided by the Fitch rating agency as the ECAI (External Credit Assessment Institution).

A.2.2 DISTRIBUTION OF FINANCIAL ASSETS, COMMITMENTS TO DISBURSE FUNDS AND FINANCIAL GUARANTEES ISSUED BY INTERNAL RATING GRADES (GROSS AMOUNTS)

The table has not been completed because as at the reporting date external ratings were used.

A.3 DISTRIBUTION OF SECURED CREDIT EXPOSURES BY TYPE OF GUARANTEE

A.3.1 ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO BANKS

			Collateral (1)				Unsecured guarantees (2)									
							Credit derivatives					Guarantees				
								Other derivatives								
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Finance leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Government entities	Banks	Other financial companies	Other	Total (1)+(2)
1. Secured on-balance-sheet credit exposures:	**28,659,670**	**28,659,532**	**746**	**-**	**24,777,399**	**3,878,670**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,717**	**28,659,532**
1.1 fully secured	28,046,811	28,046,672	746	-	24,164,539	3,878,670	-	-	-	-	-	-	-	-	2,717	28,046,672
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	612,860	612,860	-	-	612,860	-	-	-	-	-	-	-	-	-	-	612,860
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance-sheet credit exposures:	**1,217**	**1,214**	**-**	**-**	**876**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**147**	**-**	**144**	**1,167**
2.1 fully secured	1,087	1,087	-	-	876	-	-	-	-	-	-	-	67	-	144	1,087
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	130	127	-	-	-	-	-	-	-	-	-	-	80	-	-	80
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 ON- AND OFF-BALANCE SHEET SECURED CREDIT EXPOSURES TO CUSTOMERS

			Collateral (1)				Unsecured guarantees (2)									
							Credit derivatives					Guarantees				
								Other derivatives								Total (1)+(2)
	Gross exposure	Net exposure	Properties - Mortgages	Properties - Finance leases	Securities	Other collateral	CLN	Central counterparties	Banks	Other financial companies	Other	Government entities	Banks	Other financial companies	Other	
1. Secured on-balance-sheet credit exposures:	**3,099,672**	**2,946,667**	**1,123,951**	**-**	**727,259**	**140,618**	**-**	**-**	**-**	**-**	**-**	**728,124**	**20,135**	**6,887**	**75,469**	**2,822,443**
1.1 fully secured	2,538,883	2,390,503	1,122,796	-	724,947	116,445	-	-	-	-	-	309,317	15,738	862	72,975	2,363,080
- of which: impaired	152,474	39,915	35,413	-	-	513	-	-	-	-	-	3,138	620	78	152	39,915
1.2 partially secured	560,789	556,164	1,155	-	2,313	24,173	-	-	-	-	-	418,807	4,397	6,025	2,494	459,363
- of which: impaired	2,447	708	-	-	-	-	-	-	-	-	-	708	-	-	-	708
2. Secured off-balance-sheet credit exposures:	**817,471**	**814,608**	**946**	**-**	**749,135**	**1,084**	**-**	**-**	**-**	**-**	**38**	**1,080**	**1,062**	**133**	**44,033**	**797,511**
2.1 fully secured	764,216	763,170	946	-	749,135	1,066	-	-	-	-	-	-	350	-	11,673	763,170
- of which: impaired	2,271	1,585	-	-	-	-	-	-	-	-	-	-	-	-	1,585	1,585
2.2 partially secured	53,255	51,438	-	-	-	18	-	-	-	-	38	1,080	712	133	32,360	34,341
- of which: impaired	547	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.4 FINANCIAL AND NON-FINANCIAL ASSETS OBTAINED THROUGH ENFORCEMENT OF GUARANTEES RECEIVED

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

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR

	Government entities		Financial companies		Financial companies (of which: insurance undertakings)	
	Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance sheet						
A.1 Bad loans	-	-	-	150	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.2 Unlikely to be repaid	-	-	1,543	4,130	-	-
- of which: forborne exposures	-	-	1,013	638	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-
- of which: forborne exposures	-	-	-	-	-	-
A.4 Unimpaired exposures	8,908,159	2,230	4,366,636	9,732	-	-
- of which: forborne exposures	-	-	12,448	409	-	-
Total (A)	**8,908,159**	**2,230**	**4,368,179**	**14,013**	**-**	**-**
B. Off-balance sheet						
B.1 Impaired exposures	-	-	1,585	-	-	-
B.2 Unimpaired exposures	23,923	67	1,687,210	159	-	-
Total (B)	**23,923**	**67**	**1,688,795**	**159**	**-**	**-**
Total (A+B) 31/12/2022	**8,932,082**	**2,296**	**6,056,975**	**14,171**	**-**	**-**
Total (A+B) 31/12/2021	**11,160,409**	**2,696**	**4,196,901**	**17,619**	**-**	**-**

	Non-financial companies		Households	
	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance sheet				
A.1 Bad loans	6,968	33,918	94	2,858
- of which: forborne exposures	1,543	6,223	-	-
A.2 Unlikely to be repaid	28,134	87,174	4,017	5,752
- of which: forborne exposures	15,307	63,105	2,531	3,899
A.3 Impaired past due exposures	1,383	325	755	250
- of which: forborne exposures	-	-	138	63
A.4 Unimpaired exposures	2,898,616	47,616	172,184	2,993
- of which: forborne exposures	118,529	11,689	7,699	808
Total (A)	**2,935,102**	**169,034**	**177,050**	**11,853**
B. Off-balance sheet				
B.1 Impaired exposures	3,907	10,304	-	588
B.2 Unimpaired exposures	900,869	19,142	26,902	530
Total (B)	**904,776**	**29,446**	**26,902**	**1,118**
Total (A+B) 31/12/2022	**3,839,877**	**198,480**	**203,952**	**12,971**
Total (A+B) 31/12/2021	**3,589,274**	**273,874**	**169,376**	**30,522**

B.2 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA

		Italy		Other European countries		Americas	
		Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet							
A.1 Bad loans		7,063	36,776	-	-	-	150
A.2 Unlikely to be repaid		33,599	94,272	-	193	47	230
A.3 Impaired past due exposures		2,137	576	-	-	-	-
A.4 Unimpaired exposures		15,686,166	60,386	582,533	1,805	69,659	330
	Total A	**15,728,965**	**192,010**	**582,533**	**1,998**	**69,707**	**710**
B. Off-balance-sheet							
B.1 Impaired exposures		3,082	10,892	-	-	-	-
B.2 Unimpaired exposures		2,544,712	16,846	89,127	2,338	1,299	17
	Total (B)	**2,547,794**	**27,738**	**89,127**	**2,338**	**1,299**	**17**
Total (A+B)	**31/12/2022**	**18,276,760**	**219,748**	**671,659**	**4,335**	**71,006**	**728**
Total (A+B)	**31/12/2021**	**18,640,272**	**311,343**	**391,846**	**8,210**	**60,708**	**2,356**

		Asia		Rest of the world	
		Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet					
A.1 Bad loans		-	-	-	-
A.2 Unlikely to be repaid		48	2,362	-	-
A.3 Impaired past due exposures		-	-	-	-
A.4 Unimpaired exposures		4,184	10	3,054	39
	Total A	**4,232**	**2,372**	**3,054**	**39**
B. Off-balance-sheet					
B.1 Impaired exposures		2,410	-	-	-
B.2 Unimpaired exposures		-	-	3,765	697
	Total (B)	**2,410**	**-**	**3,765**	**697**
Total (A+B)	**31/12/2022**	**6,642**	**2,372**	**6,818**	**736**
Total (A+B)	**31/12/2021**	**9,187**	**2,455**	**13,947**	**346**

B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA

		Italy		Other European countries		Americas	
		Net exposure	Total writedowns	Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet							
A.1 Bad loans		-	-	-	-	-	-
A.2 Unlikely to be repaid		-	-	-	-	-	-
A.3 Impaired past due exposures		-	-	-	-	-	-
A.4 Unimpaired exposures		36,318,790	1,882	205,070	159	50,158	150
	Total (A)	**36,318,790**	**1,882**	**205,070**	**159**	**50,158**	**150**
B. Off-balance-sheet							
B.1 Impaired exposures		-	-	-	-	-	-
B.2 Unimpaired exposures		8,586,746	5	367,432	3	589	1
	Total (B)	**8,586,746**	**5**	**367,432**	**3**	**589**	**1**
Total (A+B)	**31/12/2022**	**44,905,536**	**1,887**	**572,502**	**162**	**50,747**	**151**
Total (A+B)	**31/12/2021**	**40,681,024**	**2,927**	**484,268**	**2,076**	**17,482**	**271**

		Asia		Rest of the world	
		Net exposure	Total writedowns	Net exposure	Total writedowns
A. On-balance-sheet					
A.1 Bad loans		-	-	-	-
A.2 Unlikely to be repaid		-	-	-	-
A.3 Impaired past due exposures		-	-	-	-
A.4 Unimpaired exposures		4,562	2	62,714	27
Total (A)		**4,562**	**2**	**62,714**	**27**
B. Off-balance-sheet					
B.1 Impaired exposures		-	-	-	-
B.2 Unimpaired exposures		4,116	1	48	-
Total (B)		**4,116**	**1**	**48**	**-**
Total (A+B)	**31/12/2022**	**8,678**	**2**	**62,762**	**27**
Total (A+B)	**31/12/2021**	**2,957**	**6**	**22,817**	**229**

B.4 LARGE EXPOSURES

a) Amount (carrying amount)	70,236,860
b) Amount (weighted value)	668,788
c) Number	8

C. SECURITIZATIONS

QUALITATIVE DISCLOSURES

The following discusses the main transactions in which Iccrea Banca participated as originator::

GACS III

On March 1, 2019, the Board of Directors of Iccrea Banca, as the Parent Company and Central Body, which together with the affiliated mutual banks, composes the reporting entity and, together with the subsidiaries, the "Iccrea Cooperative Banking Group", approved the implementation of a multioriginator securitization of a portfolio of non-performing loans, submitting to the Ministry for the Economy and Finance (MEF) an application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS") pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018.and subsequently amended by Law 41 of May 20, 2019 ratifying with amendment Decree Law 22 of March 25, 2019 (hereinafter the "Transaction"), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca, Banca Sviluppo and Iccrea BancaImpresa, as well as 65 mutual banks belonging to the Iccrea Cooperative Banking Group, to sell pursuant to Law 130 of April 30, 1999 the same number of portfolios of unsecured or mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment for a total credit claim of about €1.3 billion, to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2019 Srl", with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

As part of the Transaction, on December 2, 2019 the SPV acquired the portfolio from the assignors, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €421.2 million, divided into the classes indicated below:

- €355,000,000.00 of senior notes, maturing in January 2044, rated Baa2, BBB + and BBB respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
- €53,000,000.00 of mezzanine notes, maturing in January 2044, rated B3, B- and CCC respectively by Moody's Investor Services, Scope Rating AG and DBRS Ratings Limited;
- €13.2,000,000.00 of junior notes, maturing in January 2044 and not rated.

Tranche	Amount issued (euros)	Rate
Senior Notes	355,000,000	Euribor 6m + 0.30%
Mezzanine Notes	53,000,000	Euribor 6m + 6.50%
Junior Notes	13,200,000	12% + Class J Notes Variable Return (any additional return)
Total	**421,200,000**	

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed and undertook to retain for the entire duration of the securitization at least 5% of the nominal value of each tranche of notes issued in the Transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk;
- a cash reserve was set up in an amount equal to 3% of the nominal value of the senior notes (€10.65 million) to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan granted by Iccrea.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca - as the Parent Company of the ICBG and by way of specific delegation from the banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail

message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes. On January 10, 2020, a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors, as supported by a legal opinion from Orrick Herrington & Sutcliffell, issued on December 19, 2019;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - Optional Redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - Redemption for Tax Reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws).

Note that the SPV may also carry out repayments through the partial or full sale to third parties of the portfolio of non-performing loans, as part of a competitive auction.

Finally, as part of the Transaction, at the time of the issue of the notes, a cash reserve was established in the form of a limited-recourse loan granted by Iccrea Banca. Based on the characteristics of the Transaction, these circumstances do not constitute implicit support for the Transaction by the ICBG pursuant to Article 250 of the CRR.

The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead.

In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: i) the aggregate cumulative collections for the period immediately preceding the calculation are 90% lower than the expected collections envisaged for the same date in the securitization contracts; ii) interest is not paid on the Class A notes; iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 90%.

In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

With regard to Iccrea Banca S.p.A., the credit claim at the date of economic effectiveness is equal to €11.525,779.1 and the gross value at the date of legal transfer of the loans net of writedowns and inclusive of any collections on those loans pertaining to the SPV received by the Bank between the date of determination of the carrying amount and the assignment date, certified on the basis of the accounting records, of €2,524,328.5 (of which collections equal to €62,747.23) assigned for €3,390,011.15.

The following table shows the positions in respect of the securitization held by Iccrea Banca S.p.A. following the issue:

Class	Nominal amount	Fair value	ISIN
Class A	3,149,000	3,149,000	IT0005394348
Class B	23,507	12,101	IT0005394355
Class C	5,855	-	IT0005394363
Limited-recourse loan	10,900,000	10,859,259	

GACS IV

On February 7, 2020, the Board of Directors of Iccrea Banca, as the Parent Company and Central Body, which together with the affiliated mutual banks, composes the reporting entity and, together with the subsidiaries, the "Iccrea Cooperative Banking Group", approved the implementation of a multioriginator securitization of a portfolio of non-performing loans, submitting to the Ministry for the Economy and Finance (MEF) an application for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS") pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017 and the MEF Decree of October 10, 2018.and subsequently amended by Law 41 of May 20, 2019 ratifying with amendment Decree Law 22 of March 25, 2019 (hereinafter the "Transaction"), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca, Banca Sviluppo, Iccrea BancaImpresa and Mediocredito FVG, as well as 84 mutual banks belonging to the Iccrea Cooperative Banking Group (hereinafter, the ICBG assignor banks) and two banks not belonging to the ICBG, Banca

Ifis and Banca Popolare Valconca (hereinafter the "Open Market Banks" and, together with the ICBG, the "Banks" or the "Assignor Banks"), to sell pursuant to Law 130 of April 30, 1999 (hereinafter, "Law 130") the same number of portfolios of unsecured or mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment (hereinafter, the "Portfolio") for a total credit claim of about €2.3 billion at the date of economic effectiveness,[29] to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2020 Srl" (the SPV), with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

As part of the Transaction, on November 18, 2020 the SPV acquired the portfolio from the assignors, financed through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €585 million, divided into the classes indicated below

- €520,000,000.00 of senior notes, maturing in January 2045, rated Baa2, and BBB respectively by Moody's Italia Srl and Scope Rating AG;
- €41,000,000.00 of mezzanine notes, maturing in January 2045, rated Caa2 and CC respectively by Moody's Italia Srl and Scope Rating AG;
- €24,000,000.00 of junior notes, maturing in January 2045 and not rated.

As noted, the transfer by the Banks to the SPV of the non-performing loans included in the portfolio took place on November 18, 2020 at a price equal to about 22.9% of the related claim at the date of economic effectiveness.

price equal to about 22.9% of the related claim at the date of economic effectiveness.

The transfer of non-performing loans to the Vehicle produces economic effects from the date of economic effectiveness. Collections from customers from the day following the date of economic effectiveness up to and including the date of transfer of the portfolio, or November 18, 2020, were transferred to the SPV.

The subsequent finalization of the operation involved:

- the issue of the notes by the SPV with simultaneous subscription of all the senior notes and about 5% of the mezzanine and junior Notes by the Assignor Banks and the subscription of about 95% of the mezzanine and junior notes by an institutional investor independent of the Assignor Banks, Bracebridge Capital LLC, with simultaneous payment of the purchase price and, consequently, derecognition of the assigned loans;
- the preliminary request for GACS support (submitted by Iccrea Banca on December 22, 2020).

The following table summarizes the amount and annual rates of the notes issued:

Tranche	Amount issued (euros)	Rate
Senior Notes	520,000,000	Euribor 6m + 0.25%
Mezzanine Notes	41,000,000	Euribor 6m + 8%
Junior Notes	24,000,000	10% + Class J Notes Variable Return (any additional return)
Total	**585,000,000**	

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017, laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed and undertook to retain for the entire duration of the securitization at least 5% of the nominal value of each tranche of notes issued in the Transaction (the "vertical slice" approach). The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor on November 30.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk with third parties independent of the Assignor Banks;
- a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, for a total amount of €16 million, granted by Iccrea Banca (€14,168,985), Banca Ifis (€1,694,677) and Banca Valconca (€136,338). In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the

[29] The date of economic effectiveness is generally established at December 31, 2019, March 31, 2020 and June 30, 2020 or, for a limited number of banks, August 31, 2020.

purposes of admission to the State Guarantee Scheme, Iccrea Banca as the Parent Company of the ICBG and by way of specific delegation from the banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes. More specifically, in accordance with the above scheme, on November 18, 2020, the Assignor Banks and the SPV signed a loan assignment agreement under which they assigned without recourse the bad loan portfolios to the SPV with a total claim of about €2.3 billion. In order to finance the purchase of these portfolios, on November 30, 2020, the SPV issued €520,000,000.00 in Class A Asset Backed Floating Rate Notes, maturing in January 2045, €41,000,000.00 Class B in Asset Backed Floating Rate Notes, maturing in January 2045 and €24,000,000.00 in Class J Asset Backed Floating Rate and Variable Return Notes maturing in January 2045.

Each assignor subscribed a pro-rated amount of senior securities issued. Furthermore, in application of the retention rule provided for by Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, each assignor undertakes to retain about 5% of the mezzanine and junior notes subscribed for the entire duration of the transaction.[30]

On December 22, 2020 a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The derecognition of the bad loans by each of the Assignor Banks took place following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC. The sale took place for both tranches on November 30, 2020. In particular, Bracebridge Capital LLC subscribed i) 94.40% of the principal amount of the mezzanine notes on the issue date equal to €38,703,317 at a price equal to 44.51% of the related principal amount (corresponding to a subscription price of €17,228,640) and ii) 94.40% of the principal amount of the junior notes at the issue date equal to €22,655,588.00 at a price equal to 0.042% of the relative principal amount (corresponding to a subscription price of €9,440).

The following table shows the positions in respect of the securitization held by Iccrea Banca S.p.A. following the issue:

Class	Nominal amount	Fair value	ISIN
Class A	67,629,000.00	67,629,000.00	IT0005428245
Class B	409,966.00	182,494.87	IT0005428286
Class C	239,980	99.99	IT0005428294
Limited-recourse loan	14,168,985	14,168,985	

GACS V

On February 12, 2021, the Board of Directors of Iccrea Banca, as the Parent Company and Central Body, which together with the affiliated mutual banks, composes the reporting entity and, together with the subsidiaries, the "Iccrea Cooperative Banking Group", approved the implementation of a multi-originator securitization of a portfolio of bad loans, submitting application to the Ministry for the Economy and Finance (MEF) for admission to the State Guarantee Scheme on the liabilities issued (so-called "GACS") pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, and subsequently amended by Law 41 of May 20, 2019 ratifying with amendments Decree Law 22 of March 25, 2019, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017, the MEF Decree of October 10, 2018, the MEF Decree of October 14, 2019, the MEF Decree of May 20, 2020 and the MEF Decree of July 15, 2021 (hereinafter the "Transaction"), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca S.p.A. - Istituto Centrale del Credito Cooperativo ("Iccrea Banca"), Iccrea BancaImpresa S.p.A. ("Iccrea BancaImpresa") and Banca Mediocredito del Friuli Venezia Giulia S.p.A., 71 mutual banks belonging to the Iccrea Cooperative Banking Group, as well as three non-ICBG banks, namely Banca Ifis S.p.A., Cassa di Risparmio di Asti S.p.A. and Guber Banca S.p.A. (hereinafter the "Open Market Banks" and together with the ICBG, the "Banks" or the "Assignor Banks"), to sell pursuant to Law 130 of April 30, 1999 (hereinafter, "Law 130") the same number of portfolios of unsecured loans and mortgage loans classified as bad loans and receivables in respect of finance leases classified as past due or subject to termination or resolution under Article 72 quarter or Article 169 bis of the Bankruptcy Act classified as bad loans (hereinafter, the "Portfolio"), for a total credit claim of about €1.3 billion at the date of economic effectiveness, to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLS 2021 Srl" (the "SPV"), with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

The operation was carried out in the following stages:

- the assignment without recourse on November 16, 2021 of the Portfolio to the vehicle BCC NPLS 2021 Srl (the "SPV") established pursuant to Law 130 of April 30, 1999 as amended ("Law 130");

[30] More specifically, the amount retained in the net economic interest was distributed among the Assignor Banks as follows:

Retention of individual assignor = MAX (X; Y)

Where:

X = 5% of the entire tranche, allocated among the assignors on the basis of the ration of the claim of the individual assignor and the total claim represented by the portfolio.

Y = 5% of the virtual tranche attributed to the individual assignor.

- preparatory to the operation, on July 13, 2021, a special purpose vehicle called “GBCI LeaseCo Srl” (“LeaseCo”) was formed pursuant to Article 7.1 of the Securitization Act with the exclusive corporate purpose of purchasing, managing and valorizing, valorizing, in the exclusive interest of the securitization, the real estate assets involved in finance leases and the legal relationships deriving from the termination of the same, connected to the receivables deriving from said finance leases transferred by Iccrea BancaImpresa. On November 18, 2021 Iccrea Banca S.p.A. assigned to Banca Finanziaria Internazionale S.p.A. the interest held by the former in LeaseCo Srl. Pursuant to Article 7.1 of the Securitization Act, at the reporting date LeaseCo is consolidated by Banca Finanziaria Internazionale S.p.A. and has no direct or indirect connection with any of the banks participating in the Transaction as assignors;
- in order to preserve the financial relationship between the claim of the SPV in respect of the receivables deriving from finance leases forming part of the Portfolio and the assets involved in those finance leases: the disposal of the properties available for immediate sale and the associated legal relationships to LeaseCo pursuant to Article 7.1, paragraphs 4 and 5, of Law 130 and Article 58 of Legislative Decree 385 of September 1, 1993; and (b) the assignment of properties not immediately available for sale and the related legal relationships to LeaseCo as part of a demerger carried out by Iccrea BancaImpresa (as the demerged company) pursuant to Articles 2506 et seq. of the Civil Code, also in light of the interpretative provisions referred to in Article 1, paragraph 215, of Law 178 of December 30, 2020;
- the financing of the purchase by the SPV through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €336.5 million, divided into the classes indicated below:
  - €284,000,000.00 of senior notes, maturing in April 2046, rated Baa2(sf), BBB(sf) and BBB(sf) respectively by Moody’s Italia Srl (“Moody’s”), Scope Rating GmbH (“Scope”) and ARC Ratings S.A. (“ARC”);
  - €39,500,000.00 of mezzanine notes, maturing in April 2046, rated Caa2(sf), CCC(sf) and CCC+(sf) respectively by Moody’s, Scope and ARC Ratings;
  - €13,000,000.00 of junior notes, maturing in April 2046 and not rated.

As noted, the transfer by the Banks to the SPV of the non-performing loans included in the portfolio took place on November 16, 2021 at a price equal to about 22.18% of the related claim at the date of economic effectiveness.

The transfer of non-performing loans to the Vehicle produces economic effects from the date of economic effectiveness (for more details, please see section 5 of these notes to the financial statements). Collections from customers from the day following the date of economic effectiveness up to and including the date of transfer of the portfolio, or November 16, 2021, were transferred to the SPV.

The subsequent finalization of the operation involved:

- the issue of the notes by the SPV with simultaneous subscription of all the senior notes and about 5.62% of the mezzanine and junior Notes by the Assignor Banks and the subscription of about 94.38% of the mezzanine and junior notes by an institutional investor independent of the Assignor Banks, Bracebridge Capital LLC, with simultaneous payment of the purchase price and, consequently, derecognition of the assigned loans;
- the preliminary request for GACS support (submitted by Iccrea Banca on December 24, 2021).

The following table summarizes the amount and annual rates of the notes issued:

Tranche	Amount issued (euros)	Rate
Senior Notes	284,000,000	Euribor 6m + 0.35%
Mezzanine Notes	39,500,000	Euribor 6m + 8.00%
Junior Notes	13,000,000	10% + Class J Notes Variable Return (any additional return)
Total	**336,500,000**	

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017- as amended by Regulation (EU) 557/2021 - laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed on a pro-rated basis 100% of the Senior Notes and about 5.6% of the Mezzanine Notes and the Junior Notes and undertake to hold at least the minimum amount necessary of those notes to ensure compliance with the retention rule over the entire course of the Transaction. The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor on November 29.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk with third parties independent of the Assignor Banks;
- a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, for a total amount of €13.52 million, granted by Iccrea Banca (about €11,950,510) of which about €3,600,000 to fully finance the establishment of the LeaseCo Recovery Expenses Cash Reserve, Banca Ifis (about €273,254), Cassa di Risparmio Asti S.p.A. (about €966,047) Guber Banca S.p.A. (about €330,189). In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca - by way of specific delegation from the Assignor Banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes. More specifically, in accordance with the above scheme, on November 16, 2021 the Assignor Banks and the SPV signed a loan assignment agreement under which they assigned without recourse the bad loan portfolios to the SPV with a total claim of about €1.3 billion. In order to finance the purchase of these portfolios, on November 29, 2021 the SPV issued €284,000,000.00 Class A Asset Backed Floating Rate Notes*,* maturing in April 2046, €39,500,000.00 Class B Asset Backed Floating Rate Notes*,* maturing in April 2046 and €13,000,000.00 Class J Asset Backed Floating Rate and Variable Return Notes maturing in April 2046.

Each assignor subscribed a pro-rated amount of senior securities issued. Furthermore, in application of the retention rule provided for by Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, each assignor undertakes to retain about 5.6% of the mezzanine and junior notes subscribed for the entire duration of the transaction.[31]

On December 24, 2021 a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The derecognition of the bad loans by each of the Assignor Banks took place following the sale of the mezzanine and junior tranches to Bracebridge Capital LLC, an asset manager with its registered office in Boston, USA. The sale took place for both tranches on November 29, 2021. In particular, Bracebridge Capital LLC subscribed i) 94.38% of the principal amount of the mezzanine notes on the issue date equal to €37,280,786 at a price equal to 27.84810127% of the related principal amount (corresponding to a subscription price of €10,381,991.04) and ii) 94.38% of the principal amount of the junior notes at the issue date equal to €12,269,600 at a price equal to 0.07692308% of the relative principal amount (corresponding to a subscription price of €9,438.15).

[31] More specifically, the amount retained in the net economic interest was distributed among the Assignor Banks as follows:

Retention of individual assignor = MAX (X; Y)

Where:

X = 5% of the entire tranche, allocated among the assignors on the basis of the ration of the claim of the individual assignor and the total claim represented by the portfolio.

Y = 5% of the virtual tranche attributed to the individual assignor.

For Iccrea Banca only, that amount, as specified in Article 6 of Regulation (EU) No. 2017/2402 as amended by Regulation (EU) 557/2021, shall be increased by any "*fees that may in practice be used to reduce the effective material net economic interest*", determined conventionally as equal to the gross fee received net of a reasonable estimated of costs incurred in connection with the transaction.

Class	Nominal amount	Fair value	ISIN
Class A	4,355,000	4,355,000	IT0005469116
Class B	82,452	22,961	IT0005469124
Class C	27,136	21	IT0005469132
Limited-recourse loan	11,950,510	-	

GACS VI

On January 13, 2022, the Board of Directors of Iccrea Banca, as the Parent Company and Central Body, which together with the affiliated mutual banks, composes the reporting entity and, together with the subsidiaries, the “Iccrea Cooperative Banking Group”, approved the implementation of a multi-originator securitization of a portfolio of bad loans, submitting application to the Ministry for the Economy and Finance (MEF) for admission to the State Guarantee Scheme on the liabilities issued (so-called “GACS”) pursuant to Decree Law 18 of February 14, 2016, ratified with Law 49 of April 8, 2016, and subsequently amended by Law 41 of May 20, 2019 ratifying with amendments Decree Law 22 of March 25, 2019, implemented with the MEF Decree of August 3, 2016, the MEF Decree of November 21, 2017, the MEF Decree of October 10, 2018, the MEF Decree of October 14, 2019, the MEF Decree of May 20, 2020 and the MEF Decree of July 15, 2021 (hereinafter the “Transaction”), in which Iccrea Banca acts as both the assignor and the promoter and joint arranger (together with JP Morgan Securities Limited) of the securitization.

The Transaction provided for Iccrea Banca S.p.A. - Istituto Centrale del Credito Cooperativo (“Iccrea Banca”), Iccrea BancaImpresa S.p.A. (“Iccrea BancaImpresa”), Banca per lo Sviluppo della Cooperazione di Credito S.p.A. and Banca Mediocredito del Friuli Venezia Giulia S.p.A., 64 mutual banks belonging to the Iccrea Cooperative Banking Group, as well as three non-ICBG banks, namely Banca Valsabbina Società Cooperativa per Azioni (“Banca Valsabbina”), Banca di Credito Popolare Società Cooperativa per Azioni (“BCP”) and Cassa di Risparmio di Asti S.p.A. hereinafter the “Open Market Banks” and together with the ICBG, the “Banks” or the “Assignor Banks”), to sell pursuant to Law 130 of April 30, 1999 (hereinafter, “Law 130”) the same number of portfolios of claims deriving from unsecured loans and mortgage loans to borrowers classified as “bad loans” (hereinafter the “Portfolio”), for a total credit claim of about €644.5 million at the date of economic effectiveness, to a special purpose securitization vehicle specifically formed for the Transaction denominated “BCC NPLS 2022 Srl” (the “SPV”), with the concomitant grant of a servicing engagement by the latter to a third-party servicer independent of the ICBG.

The operation was carried out in the following stages:

- the assignment without recourse on May 2, 2022 of the Portfolio to the vehicle BCC NPLS 2022 Srl (the “SPV”) established pursuant to Law 130 of April 30, 1999 as amended (“Law 130”);
- the financing of the purchase by the SPV through the issue of asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, in the total nominal value of about €168 million, divided into the classes indicated below:
  - €142,000,000.00 Class A Asset Backed Floating Rate Notes maturing January 2047 (“Class A” or “Senior notes”), rated Baa1(sf), and BBB (sf) by Moody’s Italia Srl (“Moody’s”) and ARC Ratings S.A. (“ARC”), respectively;
  - €19,500,000.00 Class B Asset Backed Floating Rate Notes maturing January 2047 (“Class B” or “Mezzanine notes”);
  - €6,500,000.00 Class J Asset Backed Fixed Rate and Variable Return Notes maturing January 2047 (“Class J” or “Junior notes”).

As noted, the transfer by the Banks to the SPV of the non-performing loans included in the portfolio took place on May 2, 2022 at a price equal to about 22.47% of the related claim at the date of economic effectiveness.

The transfer of non-performing loans to the Vehicle produces economic effects from the date of economic effectiveness (for more details, please see section 5 of these notes to the financial statements). Collections from customers from the day following the date of economic effectiveness up to and including the date of transfer of the portfolio, or May 2, 2022, were transferred to the SPV.

The subsequent finalization of the operation involved:

- the issue of the Notes by the SPV with the concomitant subscription of all the Senior Notes and approximately 5.78% of the Mezzanine and Junior Notes by the Assignor Banks and the subscription of some 94.22% of the Mezzanine and Junior Notes by an institutional investor independent of the Assignor Banks (Bayview Global Opportunities Fund), with simultaneous payment of the purchase price and derecognition of the assigned receivables by the Assignor Banks;
- a preliminary application for obtaining GACS coverage (submitted by Iccrea Banca on May 6, 2022).

The following table summarizes the amount and annual rates of the notes issued:

Tranche	Amount issued (euro)	Rate
Senior Notes	142,000,000	Euribor 6m + 0,50%
Mezzanine Notes	19,500,000	Euribor 6m + 9.50%
Junior Notes	6,500,000	15% + Class J Notes Variable Return (any additional return)
Total	**168,000,000**	

The notes are not listed on a regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the Transaction, as referred to in Article 6 of Regulation (EU) No. 2017/2402 of the European Parliament and of the Council of December 12, 2017- as amended by Regulation (EU) 557/2021 - laying down a general framework for securitization and creating a specific framework for simple, transparent and standardized securitizations and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulation (EC) No. 648/2012, the banks subscribed on a pro-rated basis 100% of the Senior Notes and about 5.78% of the Mezzanine Notes and the Junior Notes and undertake to hold at least the minimum amount necessary of those notes to ensure compliance with the retention rule over the entire course of the Transaction. The remainder of the mezzanine and junior notes were subscribed by an independent third-party investor on May 10.

In addition, as part of the Transaction:

- the SPV has entered into two derivative contracts to hedge interest rate risk with third parties independent of the Assignor Banks;
- a cash reserve was set up to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan, for a total amount of €4.6 million, granted by Iccrea Banca (€4,164,976.00), Banca Valsabbina (€122,321.00), CR Asti, (€160,028.00) and BCP (€152,675.00). In view of the characteristics of the operation, it does not represent implicit support pursuant to the provisions of Article 250 of the CRR.

The securitization has been structured in such a way as to ensure that the senior notes are eligible for the aforementioned State guarantee, given the deconsolidation by the assignor banks of the exposures involved in the Transaction in accordance with the IASs/IFRSs. For the purposes of admission to the State Guarantee Scheme, Iccrea Banca - by way of specific delegation from the Assignor Banks – submitted an application to the MEF. The documentation was transmitted by Iccrea by means of a single certified e-mail message, containing the documentation relating to the operation as a whole. The banks also delegated Iccrea to transmit the documentation relating to the Transaction to the competent supervisory authorities in order to obtain recognition of the significant transfer of risk for prudential purposes.

More specifically, in accordance with the above scheme, on May 2, 2022, the Assignor Banks and the SPV signed a loan assignment agreement under which they assigned without recourse the bad loan portfolios to the SPV with a total claim of about €644.5 million. In order to finance the purchase of these portfolios, on May 10, 2022 the SPV issued €142,000,000.00 Class A Asset Backed Floating Rate Notes, maturing in January 2047, €19,500,000.00 Class B Asset Backed Floating Rate Notes, maturing in January 2047 and €6,500,000.00 Class J Asset Backed Floating Rate and Variable Return Notes maturing in January 2047.

Each assignor subscribed a pro-rated amount of senior securities issued. Furthermore, in application of the retention rule provided for by Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council, each assignor subscribed 5.78% of the mezzanine and junior tranches in proportion to its share and undertakes to retain for the entire duration of the transaction that minimum holding of the senior, mezzanine and junior securities.[32]

On May 6, 2022 a preliminary application was submitted to the MEF to obtain GACS coverage for the senior notes.

The derecognition of the bad loans by each of the Assignor Banks took place following the subscription of the mezzanine and junior tranches by Bayview Global Opportunities Fund, a Fund with its registered office in Luxembourg. The subscription took place for both tranches on May 10, 2022. In particular, Bayview Global Opportunities Fund subscribed i) 94.22% of the principal amount of the mezzanine notes on the issue date equal to about €18,372,805 at a price equal to 21.21457% of the related principal amount (corresponding to a subscription price of €3,897,712.47) and ii) 94.23% of the principal amount of the junior notes at the issue date equal to about €6,125,248, at a price equal to 0.00003% of the relative principal amount (corresponding to a subscription price of €1.98).

With regard to Iccrea Banca S.p.A., the credit claim at the date of economic effectiveness is equal to €46,640,191.49 and the gross value at the date of legal transfer of the loans net of writedowns and inclusive of any collections on those loans pertaining to the SPV received by the Bank between the date of financial effect and the date of the transfer of legal title, certified on the basis of the accounting records, of €5,616,302.81 (of which collections equal to about €107,430.98), assigned for €7,074,359.70.

[32] More specifically, the amount retained in the net economic interest was distributed among the Assignor Banks as follows:

Retention of individual assignor= MAX (X; Y)

Where:

X = 5% of the entire tranche, allocated among the assignors on the basis of the ration of the claim of the individual assignor and the total claim represented by the portfolio.

Y = 5% of the virtual tranche attributed to the individual assignor

For Iccrea Banca only, that amount, as specified in Article 6 of Regulation (EU) No. 2017/2402, shall be increased by any "*fees that may in practice be used to reduce the effective material net economic interest*".

The following table reports the positions held by Iccrea Banca S.p.A. in respect of the securitization following the issue:

Class	Nominal amount	Fair value	ISIN
Class A	6,938,000	6,938,000	IT0005494403
Class B	198,711	42,155,69	IT0005494411
Class C	65,856	0.0213	IT0005494429
Limited-recourse loan	4,164,976		

The main operations deriving from the acquisition of the corporate lending operations from Iccrea BancaImpresa are described below:

GACS I

In July 2018 the Bank completed a multioriginator securitization of a portfolio of non-performing loans ("GACS I").

The Transaction provided for 21 mutual banks, as well as two banks belonging to the former Iccrea Banking Group, including Iccrea Banca Impresa, to sell, pursuant to Law 130 of April 30, 1999 the same number of portfolios of non-performing unsecured and mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment for a total credit claim of €1,046 billion to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2018 Srl (hereinafter the "SPV") with the simultaneous grant of a servicing engagement by the latter to a third-party servicer independent of the assignors.

As part of the transaction, the special purpose vehicle acquired the portfolio from the assignor banks, financing the purchase by issuing (on July 10, 2018) asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, with a total nominal value of about €323.86 million, divided into the following classes:

- 282 million of senior notes, corresponding to 26.95% of the value of the assigned loans, which have been assigned an investment grade rating of Baa3 by Moody's and BBB- by Scope Rating, subscribed by the assignors in proportion to the exposures assigned;
- €31.4 million of mezzanine notes, corresponding to 3% of the value of the assigned loans, which have been assigned a rating of Caa2 by Moody's and B+ by Scope Rating, which were sold, together with the junior notes and with the exception of highlighted below, to qualified investors without any connection, interest or participation with the assignors;
- €10.46 million of junior notes, corresponding to 1% of the value of the assigned loans, not rated.

The following table summarizes the amount and annual rates of the notes issued:

Tranche	Amounts (Euro)	Rates
Senior Notes	282,000,000	Euribor 6m + 0.40%
Mezzanine Notes	31,400,000	Euribor 6m + 6%
Junior Notes	10,460,000	12% + Class J Notes Variable
Total	**323,860,000**	

The notes are not listed on any regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction as referred to in i) Article 405, paragraph 1, letter a) of Regulation (EU) 575/2013 (the "CRR"), ii) Article 51, paragraph 1, letter a) of Delegated Regulation (EU) 231/2013 (the "AIMFD Regulation") and iii) Article 254, paragraph 2, letter A) of Delegated Regulation (EU) 35/2015 (the "Solvency II Regulation"), the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the "vertical slice" approach).

The SPV also obtained two cap options on interest rates in an initial amount equal to the total nominal value of the senior and mezzanine notes.

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - Optional Redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - Redemption for Tax Reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws).

Note that the SPV may also carry out repayments through the partial or full sale to third parties of the portfolio of non-performing loans, as part of a competitive auction.

Finally, as part of the Transaction, a cash reserve was set up in an amount equal to 5.0088% of the nominal value of the senior notes (€14.125 million), to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan granted by Iccrea.

The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead. In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: i) the aggregate cumulative collections for the period immediately preceding the calculation are 90% lower than the expected collections envisaged for the same date in the securitization contracts; ii) interest is not paid on the Class A notes; iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 90%.

In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

The portfolio securitized by Iccrea BancaImpresa includes loans classified as bad loans at the assignment date with a gross book value at December 31, 2017 of €64,829,208.88 and an aggregate gross value at the assignment date, net of impairment adjustments and including any collections on the loans pertaining to the SPV received by the assignor company between the date of determination of the carrying amount and the assignment date, certified on the basis of the accounting records, of €18,889,734.72 (of which collections equal to €222,554.53), assigned for €17,622,893.85.

The following table shows the positions in respect of the securitization held by Iccrea Banca S.p.A. following the issue:

Class	Amount	ISIN
Class A	16,991,000	IT0005338717
Class B	98,000	IT0005338741
Class C	32,407	IT0005338758

The Mezzanine class was purchased for a total of €32,401.74, while the Junior notes were purchased for €326.01.

On October 4, 2018, Iccrea Banca announced that the MEF had - with a Decree of September 5, 2018, registered by the Court of Auditors on September 27, 2018 and by the Central Budget Office of the MEF on October 2, 2018, granted the State guarantee (GACS) for the senior tranche of the securitization. The State guarantee on this tranche is effective from the date of the decree (September 5, 2018).

Note that the acknowledgement of the significant risk transfer was made on the basis of the report at September 30, 2018, deconsolidating the securitized portfolio of bad loans from that date for prudential purposes as well.

GACS II

In December 2018, the Bank completed a second multioriginator securitization of a portfolio of non-performing loans (GACS II).

The Transaction provided for 71 mutual banks, as well as two banks belonging to Iccrea Banking Group including Iccrea Banca Impresa, to sell, pursuant to Law 130 of April 30, 1999, the same number of portfolios of unsecured and mortgage loans, mainly secured by first mortgages, deriving from loans classified as defaulted at the assignment for a total credit claim of €2.005 billion to a special purpose securitization vehicle specifically formed for the Transaction denominated "BCC NPLs 2018-2 Srl", with the simultaneous grant of a servicing engagement by the latter to a third-party servicer independent of the assignors.

As part of the transaction, on December 7, 2018, the special purpose vehicle acquired the portfolio from the assignor banks, financing the purchase by issuing (on July 10, 2018) asset-backed securities, pursuant to the combined provisions of Articles 1 and 5 of Law 130, with a total nominal value of about €558.2 million, divided into the following classes:

- €478 million of senior notes granted investment grade of BBB by Scope Rating AG and BBB (*low*) by DBRS Rating Limited, subscribed by the assignors in proportion to the exposures assigned;
- €60.129 million of mezzanine notes with a B+ rating Scope Rating AG and CCC by DBRS Rating Limited, which were sold, together with the junior notes and with the exception of highlighted below, to qualified investors without any connection, interest or participation with the assignors;
- €20.043 million of junior notes, unrated.

The following table summarizes the amount and annual rates of the notes issued:

Tranche	Amount (euros)	Rate
Senior Notes	478,000,000	Euribor 6m + 0.30%
Mezzanine Notes	60,129,000	Euribor 6m + 6%
Junior Notes	20,043,080	12% + Class J Notes Variable Return (any additional return)
Total	**558,172,080**	

The notes are not listed on any regulated market.

In order to meet the requirement to retain a net economic interest of 5% in the transaction as referred to i) Article 405, paragraph 1, letter a) of Regulation (EU) 575/2013 (the "CRR"), ii) Article 51, paragraph 1, letter a) of Delegated Regulation (EU) 231/2013 (the "AIMFD Regulation") and iii) Article 254, paragraph 2, letter A) of Delegated Regulation (EU) 35/2015 (the "Solvency II Regulation"), the assignors have undertaken to retain a holding of at least 5% of the nominal value of each tranche of notes issued as part of the securitization (the "vertical slice" approach).

The SPV also obtained two derivatives to hedge interest rate risk in an initial amount equal to the total nominal value of the senior and mezzanine notes.

The operation also provides for:

- the legal separation, once transferred to the SPV, of the securitized assets from the assignors and creditors;
- time call and clean-up call options in order to allow early repayment of notes before maturity:
  - Optional Redemption: the option can be exercised by the SPV on the first Payment Date immediately following the Payment Date on which the Class A notes are fully redeemed;
  - Redemption for Tax Reasons: the option can be exercised by the SPV upon the occurrence of regulatory or legislative changes, or official interpretations of the competent authorities that entail an increase in costs for the noteholders or the SPV.

In addition, the notes must be redeemed immediately in the event of specific trigger events (non-payment, non-performance of other obligations, insolvency or violations of laws).

Note that the SPV may also carry out repayments through the partial or full sale to third parties of the portfolio of non-performing loans, as part of a competitive auction.

Finally, as part of the Transaction, a cash reserve was set up in an amount equal to 3% of the nominal value of the senior notes (€14.34 million*)*, to manage the risk of any mismatches between the funds generated by collections and the amounts due in respect of the senior costs of the Transaction and interest on the senior notes. In accordance with market practice, this reserve was financed at the time of the issue of the notes by an interest-bearing limited recourse loan granted by Iccrea.

The securitization's payment waterfall is material in understanding the level of subordination of creditors in the transaction. There are two payment waterfalls. The first Pre-acceleration Priority of Payment is used for payments if the portfolio's performance is in line with expectations. In the event of Issuer Trigger Events, Redemption for Tax Reasons or Redemption on Final Maturity Date, the Post-acceleration Priority of Payment is used instead. In addition, the waterfall provides for the possibility of changing the payment priority order of certain items in the event of a "subordination event" or if: i) the aggregate cumulative collections for the period immediately preceding the calculation are 80% lower than the expected collections envisaged for the same date in the securitization contracts; ii) interest is not paid on the Class A notes; iii) the ratio between the present value of recoveries, for which the respective procedure has been completed, and the sum of target prices indicated in the business plan by the servicer is less than 80%.

In these circumstances, in the post-acceleration waterfall all interest due on the mezzanine notes is temporarily deferred in favor of payment of the principal of the senior notes until the payment date on which these events cease to obtain.

The portfolio securitized by Iccrea BancaImpresa includes loans classified as bad loans at the assignment date with a gross book value at December 31, 2018 of €60,773,866.91 and an aggregate gross value at the assignment date, net of impairment adjustments and including any collections on the loans pertaining to the SPV received by the Bank between the date of determination of the carrying amount and the assignment date, certified on the basis of the accounting records, of €16,856,504.19 (of which collections equal to €0.00), assigned for €16,455,673.35

The following table shows the positions in respect of the securitization held by Iccrea Banca S.p.A. following the issue:

Class	Amount	ISIN
Class A	16,219,000	16.219.000
Class B	102,000	11.535
Class C	33,878	338

The derecognition of the bad loans from the Bank's financial statements took place on December 20, 2018, following the assignment of about 95% of the Mezzanine and Junior notes to a fully independent third-party investor. From a prudential point of view, however, for reasons

connected with the deadlines for the relevant notices to the competent authorities, the derecognition of the assigned portfolio was not completed by the end of December 2018. In calculating the prudential requirements, therefore, the Bank considered the securitized assets as if the transaction had not been carried out.

On December 27, 2018 Iccrea Banca submitted, on behalf of the participants in the operation, an application for admission to the State Guarantee Scheme for the senior notes to the Ministry for the Economy and Finance (MEF).

The State Guarantee on the liabilities issued was issued on March 5, 2019 upon completion of the procedure provided for by the MEF.

For the purposes of calculating the capital requirement relating to own securitization transactions carried out in previous years, the Bank has applied the derogation provided for by Regulation (EU) 2017/2401 consisting in the possibility of continuing to use the standardized method until December 31, 2019 (as governed by Regulation (EU) 575/2013, Part Three, Title II, Chapter 5, Section 3, Subsection 3, prior to the amendment introduced with Regulation (EU) 2017/2401) for all securitization transactions completed before January 1, 2019 (the "grace period").

GACS III

For more information on the transaction, please see the earlier section on securitizations carried out as "Originator".

The following table shows the positions effectively subscribed by the Bank in respect of the securitization.

Class	Nominal amount held	Fair value	ISIN
Class A	30,962,000	30,962,000	IT0005394348
Class B	4,622,588	118,483	IT0005394355
Class C	1,151,286	5	IT0005394363

GACS IV

For more information on the transaction, please see the earlier section on securitizations carried out as "Originator".

The following table shows the positions effectively subscribed by the Bank in respect of the securitization.

Class	Nominal amount held	Fair value	ISIN
Class A	25,283,000	25,283,000	IT0005428245
Class B	114,932	51,162	IT0005428286
Class C	67,277	28	IT0005428294

QUANTITATIVE DISCLOSURES

C.1 EXPOSURES IN RESPECT OF MAIN OWN SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

		On-balance-sheet exposures						Guarantees issued						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
		Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks
A. .Fully derecognized																			
BCC NPLS 22 22/31,01,47 TV	impaired exposures	-	-	64	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 22 22/31,01,47 TV	impaired exposures	-	-	-	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 2018-2/TV ABS 20420731	impaired exposures	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 2018/TV ABS 20380630 S	impaired exposures	10,638	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 2018-2/TV ABS 20420731	impaired exposures	13,268	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 20 19/44 TV	impaired exposures	-	-	174	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 22 22/31,01,47 TV	impaired exposures	6,959	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	impaired exposures	4,174	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 20 20/45 TV CL B	impaired exposures	-	-	287	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 20 19/44 TV CL J	impaired exposures	-	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	impaired exposures	9,005	(14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	impaired exposures	11,948	(19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 21 CL B	impaired exposures	-	-	27	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	impaired exposures	8,445	(1,016)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 21 CL A	impaired exposures	3,987	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	impaired exposures	10,112	(1,556)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	impaired exposures	12,089	(19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 20 20/45 TV CL J	impaired exposures	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 20 19/44 CL A	impaired exposures	28,333	(7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BCC NPLS 20 20/45 TV CL A	impaired exposures	77,013	(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially derecognized																			
C. Not derecognized																			

The exposures reported in the table regard to the securitization transaction referred to below, carried out pursuant to Law 130/91, different from the self-securitization transactions in which at the time of issue the Bank repurchased the full amount of the notes issued by the special purpose vehicle.

More specifically, at the reporting date, the Bank's overall exposure to "own" securitizations - which led to the full derecognition the securitized exposures - comprises:

- ABSs issued by the special purpose vehicle BCC NPLs 2018 Srl as part of the multioriginator securitization (GACS I) carried out in 2018 and involving a portfolio of non-performing loans assigned by 23 mutual banks, in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016. In particular, the Bank has subscribed:
  - Class A Asset Backed Floating Rate Notes, ISIN IT0005338717, maturing in June 2038, in the amount of €16,991 thousand, with a carrying amount at the reporting date of €11,884 thousand; with total writedowns of €2 thousand; recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost";
  - Class B Asset Backed Floating Rate Notes, ISIN IT0005338741, maturing in June 2038, in the amount of €98 thousand, with a carrying amount at the reporting date of €22 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
  - Class J Asset Fixed Rate and Variable Return Notes due, ISIN IT0005338758, maturing in June 2038, in the amount of €32 thousand, with a carrying amount at the reporting date of €zero; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
- BCC NPLs 2018 Srl as part of the multioriginator securitization (GACS I) carried out in 2018 and involving a portfolio of non-performing loans assigned by 23 mutual banks, in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016 (nominal amount disbursed €14,125 thousand, with total writedowns of €1,385 thousand).

The exposures reported in the table regard to the securitization transaction referred to below, carried out pursuant to Law 130/91, different from the self-securitization transactions in which at the time of issue the Bank repurchased the full amount of the notes issued by the special purpose vehicle.

More specifically, at the reporting date, the Bank's overall exposure to "own" securitizations - which led to the full derecognition the securitized exposures – comprises:

- ABSs issued by the special purpose vehicle BCC NPLs 2018-2 Srl as part of the multioriginator securitization (GACS II) carried out in 2018 and involving a portfolio of non-performing loans assigned by 73 mutual banks, in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016. In particular, the Bank has subscribed:
  - Class A Asset Backed Floating Rate Notes, ISIN IT0005356925, maturing in July 2042, in the amount of €16,219 thousand, with a carrying amount at the reporting date of €14,837 thousand; with total writedowns of €2 thousand; recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost";
  - Class B Asset Backed Floating Rate Notes, ISIN IT0005356933, maturing in July 2042, in the amount of €102 thousand, with a carrying amount at the reporting date of €21 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
  - Class J Asset Fixed Rate and Variable Return Notes due, ISIN IT0005356941, maturing in July 2042, in the amount of €34 thousand, with a carrying amount at the reporting date of €1 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
- BCC NPLs 2018-2 Srl as part of the multioriginator securitization (c.d. GACS II) carried out in 2018 and involving a portfolio of non-performing loans assigned by 73 mutual banks in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016 (nominal amount disbursed €16,140 thousand, writedowns of €2,105 thousand).

The exposures reported in the table regard to the securitization transaction referred to below, carried out pursuant to Law 130/91, different from the self-securitization transactions in which at the time of issue the Bank repurchased the full amount of the notes issued by the special purpose vehicle.

More specifically, at the reporting date, the Bank's overall exposure to "own" securitizations - which led to the full derecognition the securitized exposures – comprises:

- ABSs issued by the special purpose vehicle BCC NPLs 2019 Srl as part of the multioriginator securitization (c.d. GACS III) carried out in 2019 and involving a portfolio of non-performing loans assigned by 68 mutual banks, in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016. In particular, the Bank has subscribed:

- Class A *Asset Backed Floating Rate Notes*, ISIN IT0005394348, maturing in a January 2044, in the amount of €34,111 thousand, with a carrying amount at the reporting date of €31,554 thousand; with total writedowns of €5 thousand, recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost";
- Class B *Asset Backed Floating Rate Notes*, ISIN IT0005394355, maturing in January 2044, in the amount of €4,647 thousand, with a carrying amount at the reporting date of €165 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
- Class J *Asset Fixed Rate and Variable Return Notes due*, ISIN IT0005394363, maturing January 2044, in the amount of €1,157 thousand, with a carrying amount at the reporting date of €3 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition.

- an interest-bearing limited-recourse loan granted to the SPV BCC NPLs 2019 Srl as a cash reserve to manage any mismatches between funds from collections and amounts due in respect of the senior costs of the Transaction and interest on the Senior notes; maturing in January 2044, in the nominal amount of €10,900 thousand, with a carrying amount at the reporting date of €9,973 thousand, with total writedowns of €79 thousand; recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost".

The exposures reported in the table regard to the securitization transaction referred to below, carried out pursuant to Law 130/91, different from the self-securitization transactions in which at the time of issue the Bank repurchased the full amount of the notes issued by the special purpose vehicle.

More specifically, at the reporting date, the Bank's overall exposure to "own" securitizations - which led to the full derecognition the securitized exposures – comprises:

- ABSs issued by the special purpose vehicle BCC NPLs 2020 Srl as part of the multioriginator securitization (c.d. GACS IV) carried out in 2020 and involving a portfolio of non-performing loans assigned by mutual banks, in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016. In particular, the Bank has subscribed:
  - Class A Asset Backed Floating Rate Notes, ISIN IT0005428245, maturing in a January 2045, in the amount of €92,12 thousand, with a carrying amount at the reporting date of €88,14 thousand; with total writedowns of €13 thousand, recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost";
  - Class B Asset Backed Floating Rate Notes, ISIN IT0005428286, maturing in January 2045, in the amount of €525 thousand, with a carrying amount at the reporting date of €268 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
  - Class J Asset Fixed Rate and Variable Return Notes due, ISIN IT0005428294, maturing January 2045, in the amount of €307 thousand, with a carrying amount at the reporting date of €1 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition.
- an interest-bearing limited-recourse loan granted to the SPV BCC NPLs 2020 Srl as a cash reserve to manage any mismatches between funds from collections and amounts due in respect of the senior costs of the Transaction and interest on the Senior notes; maturing in January 2045, in the nominal amount of €14,169 thousand, with a carrying amount at the reporting date of €13,706 thousand, with total writedowns of €109 thousand; recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost".

The exposures reported in the table regard to the securitization transaction referred to below, carried out pursuant to Law 130/91, different from the self-securitization transactions in which at the time of issue the Bank repurchased the full amount of the notes issued by the special purpose vehicle.

More specifically, at the reporting date, the Bank's overall exposure to "own" securitizations - which led to the full derecognition the securitized exposures – comprises:

- ABSs issued by the special purpose vehicle BCC NPLs 2021 Srl as part of the multioriginator securitization (c.d. GACS V) carried out in 2021 and involving a portfolio of non-performing loans assigned by the Parent Company, Iccrea BancaImpresa S.p.A. ("Iccrea BancaImpresa") and Banca Mediocredito del Friuli Venezia Giulia S.p.A., 71 mutual banks of the Iccrea Cooperative Banking Group (the "ICBG") and three non-Group banks (Banca Ifis S.p.A., Cassa di Risparmio di Asti S.p.A. and Guber Banca S.p.A.), in which the senior class of notes benefits from the State guarantee ("GACS ") pursuant to Decree Law 18/2016 ratified with Law 49/2016. In particular, the Bank has subscribed:
  - Class A Asset Backed Floating Rate Notes, ISIN IT0005469116, maturing in April 2046, in the amount of €4,355 thousand, with a carrying amount at the reporting date of €4,355 thousand; with total writedowns of €1 thousand, recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost";

- Class B *Asset Backed Floating Rate Notes*, ISIN IT0005469124, maturing in April 2046, in the amount of €82 thousand, with a carrying amount at the reporting date of €24 thousand; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition;
- Class J *Asset Fixed Rate and Variable Return Notes due*, ISIN IT0005469132, maturing in April 2046, in the amount of €27 thousand, with a carrying amount at the reporting date of €0.00; recognized under item 20. "Financial assets measured at fair value through profit or loss: c) other financial assets mandatorily measured at fair value", since they did not pass the SPPI test at initial recognition.

- an interest-bearing limited-recourse loan granted to the SPV BCC NPLs 2021 Srl as a cash reserve to manage any mismatches between funds from collections and amounts due in respect of the senior costs of the Transaction and interest on the Senior notes; maturing in April 2046, in the nominal amount of €10,951 thousand, with a carrying amount at the reporting date of €11,856 thousand, with total writedowns of €94 thousand; recognized by the Bank in assets under item 40. "Financial assets measured at amortized cost".

C.2 EXPOSURES IN RESPECT OF MAIN THIRD-PARTY SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

		On-balance-sheet exposures						Guarantees issued						Credit lines					
		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
		Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Carrying amount	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks	Net exposure	Writedowns / writebacks
A Fully derecognized																			
LUCREZIA SECURISATION SRL - TERAMO	impaired exposures	166	(1,054)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LUCREZIA SECURISATION SRL - PADOVANA IRPINIA	impaired exposures	1,006	(2,184)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LUCREZIA SECURISATION SRL - CREDIVENETO	impaired exposures	652	(578)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The exposures reported in the table refer to securities held and loans disbursed by the Bank in respect of third-party securitizations that, at the reporting date, totaled €102,300 thousand (carrying amount).

More specifically, they regard:

unrated securities issued by the special purpose vehicle "Lucrezia Securitisation Srl" in connection with the securitization of portfolios of bad loans acquired as part of the intervention to resolve crises at the following mutual banks:

- Banca Padovana and BCC Irpina (nominal value in portfolio €6,746 thousand, writedowns of €2,184 thousand);
- Crediveneto (nominal value in portfolio €2,463 thousand, writedowns of €578 thousand);
- BCC Teramo (nominal value in portfolio €1,385 thousand, writedowns of €1,054 thousand).

C.3 SPECIAL PURPOSE SECURITIZATION VEHICLES

	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
1. BCC NPL 2018	Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italia	no	103,427			168,816	15,095	2,427
2. BCC NPL 2018-2	Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italia	no	256,091			369,920	10,855	2,005
3. BCC NPLS 2019	Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italia	no	238,178			283,337	30,421	1,663
4. BCC NPLS 2020	Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italia	no	364,498			421,982	20,215	2,081
5. BCC NPLS 2021	Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italia	no	265,080			260,090	12,272	590
6. BCC NPLS 2022	Via V. Alfieri n. 1 31015 CONEGLIANO (TV) Italia	no	138,564			260,090	4,137	-

C.4 UNCONSOLIDATED SPECIAL PURPOSE SECURITIZATION VEHICLES

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

C.5 SERVICER ACTIVITIES – OWN SECURITIZATIONS: COLLECTIONS ON SECURITIZED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY SECURITIZATION VEHICLE

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

D. DISCLOSURES ON UNCONSOLIDATED STRUCTURED ENTITIES (OTHER THAN SECURITIZATION VEHICLES))

QUANTITATIVE DISCLOSURES

	Classification under assets (*)	Total assets (A)	Classification under liabilities	Total liabilities (B)	Net carrying amount (C=A-B)	Maximum loss exposure (D)	Difference between loss exposure and carrying amount (E=D-C)
1. Vehicle company							
1. CIU							
	Other financial assets mandatorily measured at fair value	403,015			403,015	403,015	-
	Financial assets held for trading	92			92	92	-

E. DISPOSALS

A. FINANCIAL ASSETS ASSIGNED BUT NOT FULLY DERECOGNIZED

QUALITATIVE DISCLOSURES

The operations mainly regard the use of government securities holdings for short- and medium-term repurchase transactions and receivables from customers assigned in the Group's securitization of its own assets.

QUANTITATIVE DISCLOSURES

E.1 FINANCIAL ASSETS ASSIGNED BUT FULLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

	Financial assets assigned but fully recognized				Associated financial liabilities		
	Carrying amount	of which: securitized	of which: sold with agreement to repurchase	of which: impaired	Carrying amount	of which: securitized	of which: sold with agreement to repurchase
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivatives	-	-	-	X	-	-	-
B. Other financial assets mandatorily measured at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated as at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity securities	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets measured at amortized cost	**1,072,567**	**-**	**1,072,567**	**-**	**1,454,226**	**-**	**1,454,226**
1. Debt securities	1,072,567	-	1,072,567	-	1,454,226	-	1,454,226
2. Loans	-	-	-	-	-	-	-
Total 31/12/2022	**1,072,567**	**-**	**1,072,567**	**-**	**1,454,226**	**-**	**1,454,226**
Total 31/12/2021	**912,760**	**-**	**912,760**	**-**	**1,132,630**	**-**	**1,132,630**

E.2. FINANCIAL ASSETS ASSIGNED AND PARTIALLY RECOGNIZED AND ASSOCIATED FINANCIAL LIABILITIES: CARRYING AMOUNTS

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

E.3 DISPOSALS INVOLVING LIABILITIES WITH RECOURSE ONLY ON ASSIGNED ASSETS NOT DERECOGNIZED: FAIR VALUE

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

B. FINANCIAL ASSETS ASSIGNED AND DERECOGNIZED WITH RECOGNITION OF CONTINUING INVOLVEMENT

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

C. FINANCIAL ASSETS ASSIGNED AND DERECOGNIZED

QUALITATIVE DISCLOSURES

In order to achieve the derisking objectives envisaged in the NPE Strategic Plan, in 2022 the Bank, in addition to the sale of certain portfolios classified as non-performing (GACS VI), sold a portfolio classified as unlikely to pay:

ILLIMITY REAL ESTATE CREDIT FUND DISPOSAL

Description of the disposal

On August 8, 2022, Iccrea Banca S.p.A., Parent Company of the Iccrea Cooperative Banking Group, and the Group banks BCC Ravennate, Forlivese e Imolese, Chiantibanca and Iccrea BancaImpresa, completed the assignment of unlikely-to-pay (UTP) loans to the Illimity Credit & Corporate Turnaround fund, a restricted Italian alternative closed-end investment fund established on the same date, receiving units of the fund, which is managed by Illimity SGR, in exchange.

Iccrea Banca and the Group banks do not act as servicers for the transaction.

The disposal is part of a broader operation involving Italy's leading banking groups, including the BPER Group, BNL, B. Pop. di Sondrio, Banca Sella, CR Ravenna, Banco Desio, Credit Agricole and CR Asti.

Objective of the disposal

Illimity CCT (the "Fund") is the first fund being launched by Illimity SGR, an asset management company set up and invested in by Illimity Bank. The Fund will focus on UTP exposures and in general on loans to companies experiencing financial strain but which could be saved and relaunched through restructuring (the "Target" companies), a market segment in which Illimity Bank is already present with its SME division.

The Fund has a maximum size of €600 million, with participation divided into Loan Units, subscribed by the banks assigning the UTP loans, and Finance Units, subscribed by independent third-party investors, with a repayment waterfall and specified returns.

On the basis of the latest business plan available, the estimated IRR for the Loan Units is around 1%, with the Fund potentially closing in 2029.

For the assignor banks, the objective of the transaction is to achieve the following main benefits:

- increase potential recoveries thanks to specific skills in the sectors of the target companies and restructuring operations;
- stabilize the financial condition of the borrowers, including through the provision of new finance made available by the Fund. Note that the Fund has already obtained funding commitments of €20 million from Illimity Bank and €5 million from other investors;
- achieve economies of scale to maximize the value of receivables from the same Target assigned by different banks;
- deconsolidate the impaired loans contributed and recognize the units of the fund, with a consequent reduction in the NPE ratio of the assignor banks.

Implementation of the disposal

The Groups assigned total UTP and NPL loans and lease receivables in respect of 22 borrowers with a GBV of €42.6 million and a total NAV of €22.3 million, equal to 25.1% of the Fund units at December 31, 2022. The assignment was conducted through a securitization structure, with the participation of a Leaseco for the assets and lease receivables assigned by Iccrea BancaImpresa. The claims assigned by the Bank have a GBV of €18.1 million and a NAV of €8.6 million, equal to 25.1% of the Fund units December 31, 2022. The net carrying amount at the transfer date amounted to €6.8 million.

QUANTITATIVE DISCLOSURES

	Performing exposures		Impaired exposures		Total	
	Carrying amount	Total value adjustments	Carrying amount	Total value adjustments	Carrying amount	Total value adjustments
A. Financial assets held for trading	-	X	X	X	-	X
1. Debt securities		X	X	X		X
2. Equity securities		X	X	X		X
3. Loans		X	X	X		X
4. Derivatives		X	X	X		X
B. Other financial assets mandatorily measured at fair value	-	X	-	-	-	-
1. Debt securities		X				
2. Equity securities		X				
3. Loans		X				
C. Financial assets designated as at fair value	-	X	-	-	-	-
1. Debt securities		X				
2. Loans		X				
D. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
1. Debt securities						
2. Equity securities						
3. Loans						
E. Financial assets measured at amortized cost	-	-	**18,134**	**(11,273)**	**18,134**	**(11,273)**
1. Debt securities						
2. Loans			18,134	(11,273)	18,134	(11,273)
Total 31/12/2022	-	-	**18,134**	**(11,273)**	**18,134**	**(11,273)**
Total 31/12/2021	-	-	**12,169**	**(13,959)**	**12,169**	**(13,959)**

	31/12/2022	31/12/2021
Operating income distributed during the period (+)	-	-
Capital losses/gains recognized through profit or loss (+/-)	(343)	(2,021)
Gain/losses on disposal (+/-)	2,133	3,731
Expenses and fees charged to the subscriber bank (-)	-	-
Profit/(loss) of the operation	**1,790**	**1,711**

D. TRANSACTIONS IN COVERED BONDS

In 2022, the second assignment of the covered bond program, started in 2021, was completed, giving the Group an additional medium-long term funding channel. The program, the first in the cooperative banking industry in Italy, involves Iccrea Banca as the issuer of covered bonds and a number of affiliated banks as assignors and servicers of a portfolio of primary credit quality mortgages pledged to secure the bonds issued.

The program, which gives investors a secured product that can be used to improve their medium/long-term financial profile, given the evolution of the financial markets, is part of a broader strategy aimed at:

- contain funding costs, thanks to considerable attractiveness of covered bonds as instruments issued directly by a bank whose repayment is also secured by a segregated asset pool (in this case, residential mortgage loans). Thanks to their ability, in the event of bankruptcy of the issuing bank, to recover their position against specially segregated high quality assets, the holders of covered bonds are willing to accept a lower return than that they would demand for similar unsecured bonds;
- diversify funding sources on the international market as well;
- lengthen the average maturity of debt.

The Program, allowing the Group to enter a new market characterized by particular complexity, both operational and legal, was based on a governance and control process entrusted to the responsibility of Iccrea Banca (which also plays a management role and coordination, centralizing the management and control activities of the cover pool, the role of master servicer and test calculation agent) and is based on offer documentation submitted to the approval of the Commission de Surveillance du Secteur Financier (CSSF) of the Grand Duchy of Luxembourg. With the approval of the Program, Iccrea Banca can issue Covered Bonds in the amount of up to €10 billion over a period of 10 years.

The structuring of the Group's covered bond program involved the implementation of the following activities:

- an initial assignment by a number of mutual banks, including the Bank (the initial assignor banks) to a specially formed SPV called Iccrea Covered Bond Srl of a portfolio of loans held by the assignor banks, which will represent the segregated assets pursuant to and for the purposes of the provisions of Law 130 on securitizations. The program permits additional assignments of loans, which will form part of the segregated assets, both by the initial assignor banks and by any additional affiliated banks who intend participate in the program subsequently (the initial assignor banks and any additional affiliated banks together are the "assignor banks");
- the grant to the SPV by the assignor banks of a subordinated loan to provide the SPV with the resources to purchase the loans being assigned (the "subordinated loan");
- the issue by the SPV of an autonomous, irrevocable and unconditional first demand guarantee (the covered bond guarantee) to the exclusive benefit of the investors holding the covered bonds and senior creditors of the program (the guarantee provides for limited recourse against the assets in the cover pool held by the SPV, which performs the role of Guarantor);
- the issue by Iccrea of the covered bonds and the proportional transfer of the liquidity raised to the assignor banks.

On June 28, 2021 the first portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount of €674 million by eight initial assignor banks, as detailed in the following table.

Breakdown of first assignment and issue (in euros)

ABI	Bank name	Residual debt at the assignment date	Intercompany liquidity post issue
7072	Emil Banca - Credito Cooperativo - Societa' Cooperativa	83,774,033	62,000,000
7075	Banca Centro-Credito Cooperativo Toscana-Umbria Societa' Cooperativa	50,037,104	37,000,000
7085	Credito Cooperativo Friuli - Societa' Cooperativa	138,710,235	103,000,000
8453	Banca Di Credito Cooperativo Di Milano - Societa' Cooperativa	40,546,241	30,000,000
8542	Credito Cooperativo Ravennate, Forlivese E Imolese - Societa' Cooperativa	135,066,093	100,000,000
8728	Banca Patavina Credito Cooperativo Di Sant'elena E Piove Di Sacco - Societa' Cooperativa	63,039,658	47,000,000
8749	Centromarca Banca - Credito Cooperativo Di Treviso E Venezia	60,551,198	45,000,000
8877	Banca Di Credito Cooperativo Di Staranzano E Villesse - Societa' Cooperativa	102,645,365	76,000,000
Total		**674,369,928**	**500,000,000**

Following the first sale, on 23 September 2021, Iccrea Banca initiated the first issue of covered bonds in the nominal amount of €500 million, which were placed with professional investors. They have the following characteristics:

- maturity: 7 years;
- nominal amount: €500 million;

- rating: Aa3 by Moody's
- interest payment rights vest: September 23, 2021;
- maturity: September 23, 2028;
- interest payments: annual; annual gross fixed rate of 0.01%;
- re-offer yield: -0.003%

On June 7, 2022 a second portfolio was sold to Iccrea Covered Bond Srl, for a total nominal amount if €697 million by eight assignor banks, three of which were already participating in the Program, as detailed in the following table.

Breakdown of second assignment (in euros)

ABI	Bank name	Residual debt at the assignment date
7072	Emil Banca - Credito Cooperativo - Societa' Cooperativa	109,908,146.77
7084	Banca Della Marca Credito Cooperativo - Societa' Cooperativa	101,360,068.75
8325	Banco Fiorentino - Mugello Impruneta Signa - Credito Cooperativo - Societa' Cooperativa	60,866,329.27
8386	Cassa Rurale Ed Artigiana Di Binasco - Credito Cooperativo Societa' Cooperativa	54,009,046.04
8404	Banca Di Credito Cooperativo Di Busto Garolfo E Buguggiate -Societa' Cooperativa	47,343,796.27
8453	Banca Di Credito Cooperativo Di Milano - Societa' Cooperativa	139,100,814.72
8542	Credito Cooperativo Ravennate, Forlivese E Imolese - Societa' Cooperativa	76,980,234.71
8851	Terre Etrusche Di Valdichiana E Di Maremma - Credito Cooperativo- S.C.	108,056,953.62
Total		**697,625,390.15**

Following the second sale, the Group did not initiate a new issue in 2022 or a consequent disbursement of liquidity to the affiliated banks participating in the assignment, pending the issue of second-level regulations on covered bonds.

Accounting and reporting treatment

As regards the accounting treatment of the operation:

- the assigned loans continue to be recognized by the assignor banks under item 40 b) "Financial assets measured at amortized cost: loans to customers", under the sub-item "medium/long-term loans", as the assignors retain the risks and rewards associated with the ownership of the assigned loans. The granted by the transferors to the SPV is not recognized as a separate item, as it is offset by the debt to the vehicle connected with the initial transfer price. This loan is therefore not subject to assessment for credit risk purposes, as the risk is entirely reflected in the valuation of the assigned loans, which continue to be recognized in the financial statements of the assignors;
- the value of the loans changes on the basis of events affecting them (account movements and valuations). Loan payments collected by assignors (who also act as servicers) are paid daily to the vehicle on the "collection account" and accounted for by the assignors as follows:
  - the collection of the principal amount from the borrower is recognized against a decrease in the receivable from the same borrower;
  - the payment of the principal amount to the vehicle is recognized against the recognition of a receivable from the vehicle;
  - the receivable is closed at the time of repayment of the subordinated loan;
- the interest collected from the borrower is recognized under item 10 of the income statement "Interest income: loans to customers" (interest on loans continues to be recognized on an accruals basis through the allocation of amounts accruing);
- the payment of interest to the vehicle is recognized against the recognition of a receivable from the vehicle;
- that receivable is closed at the time of collection of interest on the subordinated loan;
- Iccrea Covered Bond Srl, owned by Iccrea Banca, is recognized under item 70 "Equity investments";
- the covered bonds issued are recognized in liabilities under item 10c) "Financial liabilities measured at amortized cost: securities issued" and the related interest expense is recognized on an accruals basis.

Risks and control mechanisms

In order to enable the assignee company to fulfill the obligations of the guarantee granted, Iccrea Banca uses appropriate asset and liability management techniques to ensure the overall balance between the cash flows generated by the assigned assets and the payments due in respect of the covered bonds issued and other transaction costs.

The program has been structured in accordance with applicable laws and regulations, which permit the issue of covered bonds on the condition of compliance with certain capital requirements for the assignor and issuing banks.

The structure of the Iccrea Banca program is subject to stringent regulatory constraints and provides for continuous oversight by the CFO and CRO areas, as well as monitoring by the Internal Audit function and an external auditor (Deloitte & Touche) in the role of Asset Monitor. In particular, the measures concern:

- assessments of the supervisory capital requirements for bond issues;
- audits of the quality and integrity of the assigned assets, in particular the estimated value of the properties to which the mortgages are attached. Action may consist of instructions to the assignor banks to carry out repurchases, make additions or conduct new sales of supplementary assets;
- audits of the maintenance of the correct relationship between the covered bonds issued and the assets transferred as collateral (cover pool);
- audits of compliance with the transfer limits and portfolio supplementation procedures.

Information on the nature of the risks associated with maintaining the Covered Bond Program is provided below:

- portfolio supplementation risks: the contractual documentation provides for an obligation to supplement the portfolio in order to comply with the tests required by applicable legislation. Failure to comply with these tests would represent an issuer event of default, with the consequent activation of the guarantee issued by the SPV. This risk is mitigated by the control mechanisms described above;
- risks relating to cross-collateralization: the participation of the mutual banks - as assignor banks within the program - means that they compete, pari passu with each other as subordinated creditors of the vehicle and, above all, assume the obligation for compliance with regulatory tests and maintaining the quality and integrity of the assets pledged as collateral for the covered bonds. This implies that the limitation of the liability of each assignor bank to the portion of the portfolio transferred to the SPV and the connection of the portfolio supplementation obligations of each assignor bank if the quality of its portfolio should deteriorate only has contractual force between the assignor banks, but is not in any way enforceable against the vehicle and the investors. In order to minimize these consequences, the contractual documentation envisages a coordinating role in the management of the portfolio aimed at limiting the possible impact of a sudden deterioration in the quality of the cover pool.
- liability under the Framework Servicing Agreement: under the provisions of this agreement, Iccrea Banca has undertaken to act as Master Servicer on behalf of the SPV, undertaking in particular to perform the specific activities covered by the Master Servicer engagement indicated therein and assuming the role of entity responsible for verifying the compliance of operations with the law and the prospectus pursuant to Law 130. The Program also provides that each assignor bank shall undertake to handle, on behalf of the SPV, the administration, collection and enforcement of the loans in its portion of the portfolio. Under these contractual arrangements, the SPV grants i) the role of Master Servicer to Iccrea Banca and ii) the role of Servicer to the banks, which thus act as the entities responsible for collections on the loans each has assigned to the SPV. The liability risk of Iccrea Banca as Master Servicer are therefore limited to the fulfillment of the obligations undertaken by the latter pursuant to the Framework Servicing Agreement and does not extend to the actions of the servicers, who are in turn directly liable to the SPV on an individual basis.

F. MODELS FOR MEASURING CREDIT RISK

The section has not been completed because the Bank does not use internal portfolio models for measuring its exposure to credit risk.

SECTION 2 - MARKET RISKS

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS

The term trading book refers to the portfolio consisting of positions intentionally held for subsequent short-term disposal and/or taken on to benefit from short-term differences between purchase and sales prices, or other changes in prices or interest rates. In general, the supervisory trading book is represented by the positions held under an "other" business model, namely "held for sale", i.e. the portfolio including debt and equity securities, units in collective investment undertakings and derivatives held for trading purposes.

B. MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of market risk management within the entire Iccrea Mutual Banking Group in compliance with the principles of sound and prudent management.

This role is performed through the issue of specific policies and directives and the definition and application of specific governance mechanisms that govern the various stages (definition, approval, monitoring and reporting) that characterize the management of market risks.

As provided for under the Cohesion Contract, the Parent Company defines market risk management policies, in accordance with the strategic planning and definition of the RAF.

RISK MANAGEMENT PROCESSES

Identification of risks

Operations in financial market, especially positions in the trading book, expose the Bank to market risks and other subcategories of risk. The identification of risks is mainly carried out in the process of specifying and updating risk models and metrics for market risks, and involves the following activities:

- the specification and updating of risk metrics, i.e. the evolution by the Risk Management department of measurement and monitoring methods on the basis of developments in markets, regulations and best practice;
- the approval process, conducted before the start of operations in a new financial instrument and the associated definition of the procedures for measuring fair value and risks.

Risk measurement and assessment

Risk Management is the main actor in the processes for development and using measurement models and metrics for market risk.

Updates of the models and metrics are identified by Risk Management in the performance of its duties, including analysis of regulatory requirements, market best practices and input from the business units involved (Finance in particular).

The measurement activities performed by the Risk Management unit involve:

- verification of the market and price parameters used as inputs in the front office and market risk management applications;
- verification of the quality of the identifying information of the financial instruments;
- validation of methodologies for measuring the fair value of the financial instruments held by the Group;
- production of all risk metrics.

For the purpose of calculating capital requirements for market risks, the Parent Company uses the standardized approach, in compliance with the relevant supervisory measures.

At the operational level, internal models are used for measurement purposes. The measurement metrics used for operational purposes to measure market risk can be classified as follows:

- probabilistic metrics:

  - Value at Risk (VaR) approach, which represents the main metric owing to its uniformity, consistency and transparency in relation to finance operations;
- deterministic metrics:
  - level metrics (such as, for example, notional amounts and mark to market values), which represent an immediately applicable solution;
  - analysis of sensitivity and Greeks, which are an essential complement to VaR indicators owing to their capacity to capture sensitivity and the direction of financial positions in response to changes in the identified risk factors;
  - stress testing and scenario analysis, which complete the analysis of the overall risk profile, capturing changes due to specified developments in the underlying risk factors (worst case scenarios);
  - loss, which represents the negative financial performance in a specified period of time of both closed and open positions.

Probabilistic metrics

Value at Risk (VaR)

An approach based on historical simulations is used to calculate VaR, (with a sample period of 3 years, confidence level of 99% and holding period of 1 day). The model currently covers the following risk factors:

- interest rates;
- inflation rates;
- exchange rates;
- stocks and stock indices;
- interest rate volatility;
- stock price volatility.

The current model can calculate VaR both for more detailed portfolios and for larger aggregates, permitting considerable granularity in the analysis, control and management of risk profiles and the effects of diversification. The possibility for calculating VaR at multiple levels of synthesis (consistent with the operating strategies of the portfolios and the organizational hierarchy of Finance) and the ability of the model to decompose VaR into different risk determinants make it possible to create an effective system of comparable cross-risk and cross-business limits.

Deterministic metrics

Sensitivity and Greeks of options

Sensitivity measures the risk associated with changes in the theoretical value of a financial position in response to changes in a defined amount of the associated risk factors. It captures the breadth and direction of the change in the form of multiples or monetary changes in the theoretical value without explicit assumptions about the holding period or correlations between risk factors. The main sensitivity indicators currently used are:

- PV01: the change in market value in response to a change of 1 basis point in the zero-coupon yield curve;
- Vega01: a change of 1 percentage point in implied volatilities on interest rates;
- IL01 (sensitivity to inflation): the change in market value in response to a change of 1 basis point in the forward inflation rate curve;
- Vega sensitivity to inflation: a change of 1 percentage point in implied volatilities on forward inflation rates;
- CS01: a change of 1 basis point in credit spreads;
- Delta: the ratio between the expected change in the price of options and a small change in the prices of the underlying financial assets;
- Delta1%: the change in market value in response to a change of 1% in equity prices;
- Delta Cash Equivalent: the product of the value of the underlying financial asset and the delta;
- Vega1%: the change in market value in response to a change of 1% in the implied volatility of equity prices/indices;
- Correlation sensitivity: the change in the market value in response to a 10% change in implied correlations.

Level metrics

The nominal position (or equivalent) is a risk indicator based on the assumption that there is a direct relationship between the size of a financial position and the risk profile.

The nominal position (or equivalent) is determined through the identification of:

- the notional value;
- the market value;
- the conversion of the position in one or more instruments into a benchmark position (the equivalent position);
- the FX open position.

The approach is characterized by extensive use of ceilings in terms of notional/mark-to-market amounts as they represent the value of the assets recognized in the financial statements. These metrics are used to monitor exposures to issuer/sector/country risk for the purposes of analyzing the concentration of exposures.

Stress testing and scenarios

Stress tests measure the change in the value of instruments or portfolios in response to unexpected (i.e. extreme) changes in the intensity or correlation of risk factors. Scenario analyses measure the change in the value of instruments or portfolios in response to changes in risk factors in circumstances that reflect actual past situations or expectations of future developments in market variables.

Stress tests and scenario analysis are carried out by measuring the change in the theoretical value of positions in response to changes in the risk factors. The change can be calculated both through the use of linear sensitivity relationships (e.g. deltas) and through the revaluation of positions by applying the specified variations to the risk factors.

Loss

Loss is a risk metric representing the negative financial performance achieved on closed and open positions over a specified period of time.

Loss is determined by identifying, with the specified time interval:

- the component of realized profits and losses;
- the component of latent (unrealized) profits and losses calculated using the mark-to-market/mark-to-model value of open positions.

Loss is equal to the algebraic sum of the two components indicated above, if negative.

In determining loss, foreign currency positions still open are measured at the ECB end-of-day exchange rate.

The metric makes it possible to measure losses connected with the general risk profile of outstanding positions and the management of the portfolio, identifying any deterioration in the profitability of financial operations.

It is helpful in monitoring the performance of the portfolio, given the risk profile assumed, when:

- more sophisticated measurement systems are not present;
- it is impossible to capture all risk factors;
- timely control and management of limits is required.

RISK PREVENTION AND ATTENUATION

Risk Management conducts backtesting of operational measurement models on an ongoing basis. The effectiveness of the calculation model is monitored daily through backtesting, which by comparing the forecast VaR with the corresponding profit or loss shines light on the capacity of the model to accurately capture the variability of the revaluation of the trading positions statistically. This approach makes it possible to:

- strengthen the effectiveness of the dialogue between Risk Management and the front office;
- enhance awareness of the actual performance dynamics of the portfolios;
- break down and interpret the sources and causes of daily changes in P&L;
- identify and monitor any risk factors that are not fully captured by the calculation models adopted.

In addition to the backtesting noted earlier, the effective management of market risks is ensured using a comprehensive system of limits, which is a key tool for the management, control and attenuation of risks. The development of this system, which is a key element of the Risk Management Framework, took account of the nature, objectives and operational complexity of the Group.

The overall system of market risk indicators comprises indicators included in and governed by the RAS and more strictly operational indicators set out in the risk governance policies.

The controls established to manage market risks break down into:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the market risk profile and ensure the correct activation of escalation mechanisms;
- Level III controls (Internal Audit), which are intended to verify compliance with rules and procedures as well as internal and external regulations.

MONITORING AND REPORTING

The second-level controls, carried out by the Market & Counterparty Monitoring & Control unit, are aimed at monitoring the Bank's exposure to market risks on a daily basis, in order to prepare reporting to be sent to the competent units and to monitor/verify the implementation of escalation mechanisms by the trading desks involved if the specified limits are breached. Control activities are based on the assessment and measurement of the risk profile compared with the risk indicators and represents a key control element that regards both the monitoring of specific indicators and verifying and analyzing any breaches of risk appetite and/or risk limit thresholds.

These activities therefore perform an "ex post" control function in relation to the continuous monitoring of all indicators that signal breaches of assigned risk levels, but they also serve an "ex ante" function in signaling the approach of risk profiles towards the threshold/limit/risk propensity levels. Therefore, the effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk targets/tolerances established in determining the RAS/risk limits;
- the prompt activation of recovery plans in response to specified conditions on the basis of the "magnitude" of the over-limit position.

The market risk control and monitoring activities are governed within a set of internal regulations defining the roles and responsibilities of the various actors involved in the process.

At the operational level, communication between operational units and Risk Management occurs on a daily basis through extensive discussion of risk developments, increasing awareness of the risks assumed (in line with defined profit targets) and thereby facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The content, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

In this area, Risk Management is responsible for preparing periodic reporting on the various risk factors, providing appropriate disclosure to the operating lines, senior management and the Board of Directors.

RISK MANAGEMENT AND MITIGATION

Risk management and mitigation activities are governed by a set of codified and formalized rules that envisage:

- the activities and actions that must be performed in each operating and business segment in order to manage developments in risks;
- the adoption of measures to manage any irregularities;
- the actions to be taken in the event the risk objectives, tolerances or limits specified in the Risk Appetite Statement are breached;
- the actions to be taken in the event the limits specified in the risk policies are breached.

IMPACT OF THE COVID-19 PANDEMIC

The risk measurement and control system has not undergone significant changes as a result of the COVID-19 pandemic as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency.

QUANTITATIVE DISCLOSURES

1. SUPERVISORY TRADING BOOK: DISTRIBUTION BY RESIDUAL MATURITY (REPRICING DATE) OF ON-BALANCE-SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. SUPERVISORY TRADING BOOK: DISTRIBUTION OF EXPOSURES IN EQUITY SECURITIES AND EQUITY INDICES BY MAIN COUNTRIES OF LISTING

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

3. SUPERVISORY TRADING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

With regard to market risks on the trading book, a 1-day VaR limit of €2.2 million has been established, calculated with a confidence level of 99%. The Market Risk Policy also specifies VaR limits for the different portfolios, measured using the same method. In the second half of 2022 the indicator never breached the limits at the full book level.

The average VaR of the trading book was equal to €0.62 million, with a minimum of €0.45 million and a maximum of €0.97 million (on December 6, 2022).

At December 31, 2022 the VaR was equal to €0.66million.

	Sensitivity Value (in €)	Notes
Interest Rates	(28,908)	Sensitivity calculated in relation to 1 bp change
Inflation Rates	1,423	
Credit spread	21,516	
Equity	5,824	Sensitivity calculated in relation to 1 bp change

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

The Parent Company is responsible for the management, coordination and control of interest rate risk management for the banking book within the entire Iccrea Mutual Banking Group in compliance with the principles of sound and prudent management.

This role is performed through the issue of specific policies and directives and the definition and application of specific governance mechanisms that govern the various stages (definition, approval, monitoring and reporting) that characterize the management of interest rate risk on the banking book.

As provided for under the Cohesion Contract, the Parent Company defines interest rate risk management policies, in accordance with the strategic planning and definition of the RAF.

RISK MANAGEMENT PROCESSES

Identification of risks

The interest rate risk on the banking book is the risk originated by differences in the maturities and in the timing of the repricing of interest rates on the assets and liabilities in the banking book. In the presence of these differences, fluctuations in interest rates giver rise to both a short-term change in expected profit, through the impact on net interest income, and a long-term impact on the economic value of shareholders' equity, through the change in the market value of assets and liabilities.

Based on the composition of the current banking book and expected developments envisaged in strategic and operational planning, the Group identifies sources of interest rate risk to which it is exposed, classifying them in the following risk sub-categories: the risk deriving from mismatches in maturities (for fixed-rate positions) and repricing dates (for variable-rate positions) due to parallel movements in the yield curve (repricing risk) or changes in the slope or shape of the yield curve (yield curve risk), basis risk, option risk and credit spread risk on the banking book (CSRBB).

Risk measurement

The measurement of interest rate risk on the banking book is based on the current earnings approach and the economic value approach and is carried out for the purpose of:

- continuous monitoring of the risk profile by controlling the overall system of indicators that characterize the IRRBB Framework and the various "additional metrics" that have been defined;
- performing stress testing, which provides for the estimation of the impact of severe but plausible adverse market scenarios on the banking book.

The risk exposure is measured using a static or dynamic approach depending on the assessment approach adopted:

- economic value approach: this seeks to assess the impact of possible adverse changes in interest rates on the economic value of the banking book (economic value of equity), construed as the present value of the expected cash flows of assets, liabilities and off-balance sheet positions within the scope of analysis. Under this perspective, the analysis is conducted using a static "gone concern" approach, in which we assume the run-off of positions at maturity, without any replacement or renewal, or using a dynamic approach, developing projections for new operations that are consistent with the assumptions defined during strategic planning;
- current earnings approach: this seeks to assess the potential effects of adverse interest rate variations on an income variable, i.e. net interest income. In this perspective, the analysis is conducted using a dynamic "going-concern" approach, with a "constant balance sheet" view, assuming that positions are rolled over at maturity so as to leave the size and composition of the balance sheet unchanged, or a "dynamic balance sheet" view, developing projections for new business that are consistent with the hypotheses defined in strategic planning.

Specific models are adopted in both cases that ensure adequate quantification of the risk associated with positions that exhibit repricing behavior that differs from the contractual profile.

The metrics adopted in the economic value approach to measure the sensitivity of the economic value of the banking book (∆EVE – EVE sensitivity) are based on a full evaluation approach. The change in the expected value of the banking book is calculated using an approach that involves the discounting of the cash flows of items in the book in a base scenario with no interest rate variations and one with interest rate variations. The overall metric can be broken down by time bucket in order to identify the distribution of risk over time ("bucket sensitivity").

In determining EVE, equity must be excluded from the calculation in order to measure the potential change in value of free capital following changes in the yield curves.

The metrics used in the current earnings approach to measures the sensitivity of the net interest income of the banking book (∆NII – NII sensitivity) are:

- Full revaluation: the potential impact on net interest margin of hypothetical changes in risk-free rates is calculated using a "full revaluation" method that compares, over a selected time horizon, expected prospective net interest income in the event of changes in interest rates with expected net interest income in a "base" scenario of no variations. This approach is also used to quantify the impact on net interest income of possible variations in credit spreads (CSRBBs).;
- Earnings at Risk: a metric aimed at measuring the loss of profitability due to changes in interest rates, considering, in addition to the impact on net interest income, the effects on changes in the fair value of the instruments recognized (depending on their accounting treatment) in profit or loss or directly in equity;
- Repricing gap: this measures the sensitivity of net interest income to changes in the reference rate by aggregating assets and liabilities in time buckets by repricing date. Assets and liabilities are aggregated in a number of predefined time buckets based on their next contractual repricing date or behavioral hypotheses. The weighting of the exposure for each time bucket for the time between the repricing date and the selected time horizon and the subsequent application of the assessment scenarios defined by the Group makes it possible to capture the impact of a change in rates on net interest income.

The measurement scenarios applied to interest rates are intended to monitor the risk categories to which the Group may be exposed. Each can be associated with internally developed or regulatory scenarios.

- gap risk: in order to monitor this category of risk, parallel and non-parallel shocks of the risk-free yield curves are used in order to assess the impact on economic value and net interest income; in particular; in order to monitor this risk category, parallel and non-parallel shocks to the risk-free yield curves are used in order to assess their impact on economic value and on net interest income. In addition to the scenarios envisaged for regulatory purposes, in the standard outlier test, internally defined scenarios are used based on prudential assessments and historical analyses of observed changes in rates;
- basis risk: the analysis provides for the segmentation of the banking book based on the market parameters to which the items involved are indexed and the analysis of the time series of basis spreads with respect to the pivot rate (3-month Euribor) for the purpose of determining the size of the shocks to be applied to each;
- option risk: the analysis includes a preliminary identification of the automatic/behavioral option components in the assets and liabilities of the Group banking book and the subsequent:
  - historical analysis of the observed changes in volatility, to determine the magnitude of the shocks to be applied for the purpose of quantifying the automatic option risk;
- verification of the impact of interest rate shocks on the behavioral model parameters, for the purpose of quantifying the behavioral option risk.
- CSRBB: internally defined scenarios are used based on prudential assessments and historical analyses of the observed changes in credit spreads.

In order to monitor risk limits, parallel and non-parallel shock scenarios are adopted. To monitor the additional metrics subject to reporting requirements, scenarios involving shocks to the yield curves are also envisaged in addition to those adopted as a reference for the determination of risk limits. As part of stress testing, further scenarios are used on periodic basis to signal potential areas of weakness in the presence of particular market conditions.

Risk prevention and attenuation

Interest rate risk is managed using a comprehensive system of limits, which is a key tool in the management, control and attenuation of risks within the IRRBB Framework, taking account of the nature, objectives and complexity of Group operations.

The system of limits (EWS, RAS and Risk Limits) is defined by the Parent Company in accordance with its management and coordination role and implemented through a cascading process with the subsidiaries (where applicable), in line with the risk management model adopted.

In addition to the above system of limits, a comprehensive system of arrangements and controls contributes to defining the overall control model set out and formalized in the associated policy.

The controls established to manage interest rate risk on the banking book break down as follows:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the interest rate risk profile and activate escalation mechanisms;
- Level III controls (Internal Audit), which are intended to verify compliance with rules and procedures as well as internal and external regulations.

Monitoring and reporting

The controls, carried out by Risk Management, are aimed at monitoring the Bank's exposure to interest rate risk in order to prepare reporting to be sent to the competent units and to trigger escalation mechanisms with the collaboration of the operating units involved if the specified limits are breached. Control activities are based on the assessment and measurement of the risk profile compared with the risk indicators provided for by the risk governance framework. The effectiveness of monitoring compliance with limits is an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk limits established;
- the prompt activation of recovery plans in response to specified conditions on the basis of the "magnitude" of the over-limit position.

The interest rate risk control and monitoring activities are performed within the framework of a set of internal regulations. At the operational level, communication between operational units and Risk Management occurs on a daily basis through extensive discussion of risk developments, increasing awareness of the risks assumed (in line with defined profit targets) and thereby facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The contents, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of the developments under way.

More specifically, the Risk Management function performs monitoring and reporting activities that are codified and formalized within the Risk Appetite Framework and the risk policies, preparing periodic reports and providing appropriate disclosure to the operating units, top management and the Board of Directors.

Stress test framework

In order to assess the potential impact of market tensions on the profitability and economic value of the banking book, stress test simulations are also conducted in addition to specific measurements of the exposure to risk.

The stress tests are intended to measure the extent to which the exposure to interest rate risk on the banking book could worsen in especially adverse market conditions.

The scenarios used in measuring the exposure to the different sources of risk and in analyzing stress tests are based on both regulatory shocks and, where the regulatory scenarios are not considered fully representative of especially averse conditions, shocks defined internally.

In accordance with regulatory provisions, if necessary, the Group develops scenarios characterized by larger movements in yield curves than the shocks applied for the continuous monitoring of the IRRBB in order to test the vulnerabilities of the banking book in the presence of stress conditions.

In line with the applicable regulatory guidelines, the Group has adopted various types of mutually complementary analyses:

- sensitivity analysis: analysis of the exposure to the IRRBB and the CSRBB with respect to the marginal impact of different types of shocks, considered separately or jointly, relating to one or more risk factors;
- reverse stress testing: analysis consisting in identifying one or more stress scenarios whose impact leads to a pre-established result identified ex-ante. The reverse stress testing makes it possible to investigate, using a recursive analysis process, the size and probability of occurrence of the events that lead to this result;
- scenario analysis: analysis consisting in the assessment of the Group's ability to cope with a potential increase in its exposure to IRRBB and CSRBB based on a combination of shocks associated with one or more risk factors in accordance with specific evolutionary stress dynamics.

Depending on the purpose of the analysis, the time horizon of the stress exercise, the speed of propagation of shocks and the approach to be adopted for the projection of operations (static/dynamic) are defined.

The identification of risk categories is a starting point and a linkage among the main strategic processes to manage risk management (Risk Appetite Framework, Internal Capital Equity Assessment Process, Contingency & Recovery Plan) and is aimed at limiting the set of risk factors/parameters for which stress scenarios are developed.

For each of the risk categories identified it is possible to define the associated risk factor(s), understood as an exogenous variable whose shock can have a negative impact on the economic value of the banking book and/or on the associated net interest income, in terms of smaller-than-expected loss or profit. In this perspective, the identification of risk factors is a preliminary phase in the definition of the shocks associated with stress scenarios.

All the stress scenarios adopted are generally calibrated using the historical simulation approach, based on prudential percentiles of the empirical distributions associated with the various risk parameters, using expert-based adjustments where appropriate in order to integrate forward-looking elements that are not present in the available historical data. To these scenarios, we add "purely" historical scenarios (i.e. without calculating a percentile of the historical empirical distribution), scenarios defined on a judgmental basis and scenarios provided by external sources (e.g. EBA Stress Test scenario).

IMPACT OF THE COVID-19 PANDEMIC

The risk measurement and control system has not undergone significant changes as a result of the COVID-19 pandemic as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency.

QUANTITATIVE DISCLOSURES

1. BANKING BOOK: DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY (REPRICING DATE)

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. BANKING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

The interest rate risk on the banking book used for management purposes with regard to sensitivity indicators for economic value and net interest income at December 31, 2022 is reported below.

€/million	Scenario	
	-100 bp	+100 bp
Impact on economic value	+ 55	- 41
Impact on net interest income	+ 25	- 25

2.3 EXCHANGE RATE RISK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF EXCHANGE RATE RISK

The exchange rate risk management strategy (the FX risk factor) is based on the analysis of market developments and the different currencies in which operations are denominated.

The strategy is differentiated in accordance with the type of operations:

- for major currencies (hard currencies), operators, based on the analysis of economic, macroeconomic and money management data, manage operations both to optimize existing positions and generate a profit;
- for minor currencies (local currencies), exchange rate risk is managed with a view to the total minimization of risks, except in unusual macroeconomic situations, by reducing exposures exceeding the thresholds defined with market operations of the opposite sign.

Trading is carried out on the foreign exchange and foreign exchange derivatives markets both through spot trading and through the management of short/medium-term forward positions (outright operations). The strategy of the desk is therefore aimed at intraday/multiday transactions in order to generate profit from movements in the spot foreign exchange market. Forex swaps are used to engage in forward operations, based on expectations for interest rates and exchange rates, so as to generate a profit from maintaining open short/medium-term positions in foreign currency. Based on its own analyzes, the desk also seeks to improve its profitability by taking positions in options on exchange rates.

All operations are based on techniques and methods defined and agreed at the desk level, based on operating limits assigned to the managers and operational staff that are consistent with the provisions of the risk policies.

B. HEDGING EXCHANGE RATE RISK

Operations are mainly concentrated in major currencies. The Bank adopts a system of daily operating limits on the overall foreign exchange exposure, as well as the net foreign exchange positions in respect of individual currencies. The overall limit is segmented into partial ceilings on the basis of the importance of the various currencies.

QUANTITATIVE DISCLOSURES

1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

	Currencies					
	USD	GBP	JPY	CAD	CHF	OTHER
A. Financial assets	**92,991**	**7,681**	**7,289**	**9,105**	**21,235**	**7,688**
A.1 Debt securities	7,967	85				2,270
A.2 Equity securities	21,782	3,512			-	
A.3 Loans to banks	56,273	4,084	7,289	9,105	21,235	5,418
A.4 Loans to customers	6,968	-				
A.5 Other financial assets						
B. Other assets	**12,781**	**5,143**	**663**	**1,588**	**9,138**	**2,330**
C. Financial liabilities	**127,218**	**17,380**	**954**	**4,342**	**16,938**	**7,373**
C.1 Due to banks	126,463	17,379	954	4,342	16,938	7,352
C.2 Due to customers	755	-				20
C.3 Debt securities						
C.4 Other financial liabilities						
D. Other liabilities	**210**					
E. Financial derivatives						
- Options						
+ Long position	2,115		2,179			
+ Short positions	2,115		2,179			
- Other derivatives						
+ Long positions	5,152,670	228,982	695,537	1,214,246	839,571	373,264
+ Short positions	5,135,356	226,766	702,581	1,213,954	852,941	375,601
Total assets	**5,260,556**	**241,807**	**705,668**	**1,224,939**	**869,945**	**383,283**
Total liabilities	**5,264,899**	**244,146**	**705,714**	**1,218,296**	**869,878**	**382,974**
Difference (+/-)	**(4,343)**	**(2,339)**	**(46)**	**6,643**	**66**	**309**

2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODS

There is no information to report.

SECTION 3 - DERIVATIVES AND HEDGING POLICIES

3.1 FINANCIAL DERIVATIVES HELD FOR TRADING

A. FINANCIAL DERIVATIVES

A.1 FINANCIAL DERIVATIVES HELD FOR TRADING: END-PERIOD NOTIONAL VALUES

	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements	
1. Debt securities and interest rates	8,266,324	20,363,555	1,258,440	-	-	19,285,110	1,394,028	-
a) Options	-	565,781	253,046	-	-	989,647	268,769	-
b) Swaps	8,266,324	19,766,475	1,005,394	-	-	18,295,463	1,085,221	-
c) Forwards	-	-	-	-	-	-	37	-
d) Futures	-	31,300	-	-	-	-	40,000	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	-	4,338	570	-	-	-	1,714	-
a) Options	-	2,028	-	-	-	-	1,132	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	570	-	-	-	570	-
d) Futures	-	2,310	-	-	-	-	12	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign currencies and gold	-	9,620,865	1,353,659	-	-	903,927	240,332	-
a) Options	-	5,714	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	9,615,151	1,353,659	-	-	903,927	240,332	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	-	-	-	-	-	-	-	-
5. Other underlyings	-	-	-	-	-	-	-	-
Total	**8,266,324**	**29,988,758**	**2,612,669**	**-**	**-**	**20,189,038**	**1,636,074**	**-**

A.2 FINANCIAL DERIVATIVES HELD FOR TRADING: GROSS POSITIVE AND NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

	31/12/2022				31/12/2021			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements	
1. Positive fair value								
a) Options	-	15,364	-	-	-	5,238	89	-
b) Interest rate swaps	1,214,843	404,843	898	-	-	429,867	18,125	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	88,436	8,118	-	-	8,419	5,797	-
f) Futures	-	789	-	-	-	-	304	-
g) Other	-	-	-	-	-	-	-	-
Total	**1,214,843**	**509,432**	**9,016**	**-**	**-**	**443,524**	**24,316**	**-**
2. Negative fair value								
a) Options	-	10,383	13,438	-	-	4,426	1,917	-
b) Interest rate swaps	-	1,525,599	78,967	-	-	437,670	634	-
c) Cross currency swaps	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-
e) Forwards	-	68,893	26,972	-	-	13,742	-	-
f) Futures	-	55	-	-	-	-	284	-
g) Other	-	-	-	-	-	-	-	-
Total	**-**	**1,604,930**	**119,377**	**-**	**-**	**455,839**	**2,836**	**-**

A.3 OVER-THE-COUNTER FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X	1,227,857	-	30,583
- positive fair value	X	898	-	-
- negative fair value	X	92,152	-	253
2) Equity securities and equity indices				
- notional value	X	-	570	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign currencies and gold				
- notional value	X	936,323	417,336	-
- positive fair value	X	8,117	1	-
- negative fair value	X	1,880	25,092	-
4) Commodities				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other assets				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	8,266,324	19,351,141	1,012,414	-
- positive fair value	1,214,843	406,619	14,020	-
- negative fair value	-	1,479,567	56,308	-
2) Equity securities and equity indices				
- notional value	-	4,338	-	-
- positive fair value	-	225	-	-
- negative fair value	-	30	-	-
3) Foreign currencies and gold				
- notional value	-	7,449,902	2,170,963	-
- positive fair value	-	73,168	15,401	-
- negative fair value	-	46,958	22,067	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other assets				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES HELD FOR TRADING: NOTIONAL VALUES

	Up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	9,969,966	7,420,739	12,497,615	29,888,319
A.2 Financial derivatives on equity securities and equity indices	4,338	-	570	4,908
A.3 Financial derivatives on exchange rates and gold	10,973,586	938	-	10,974,524
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2022	**20,947,890**	**7,421,676**	**12,498,185**	**40,867,752**
Total 31/12/2021	**6,976,731**	**4,602,939**	**10,245,442**	**21,825,111**

B. CREDIT DERIVATIVES

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

3.2 HEDGE ACCOUNTING

QUALITATIVE DISCLOSURES

For the purposes of hedge accounting, Iccrea Banca, Parent Company of the ICBG, applies the provisions contained in IAS 39 since at the time of initial application of IFRS 9 it elected the option provided for in paragraph 7.2.21 of that standard to continue to apply in full the rules of IAS 39 for all types of hedging (micro and macro).

The hedge contracts are transacted on the basis of the provisions of specific company policies and mainly used to manage interest rate risk on the banking book arising from the normal business operations, pursuing the objective of reducing the risk profile within the limits of the Risk Appetite Framework as defined and quantified by the competent bodies. These limits concern the exposure of the Bank both in terms of net interest income sensitivity and economic value sensitivity.

The life cycle of a hedge accounting relationship starts with the so-called “designation” phase. With the designation of the hedging relationship, the company declares the methods and the instruments through which it intends to implement the hedging strategy, as defined by the manager of the risk being hedged, as well as the methods of measuring the effectiveness of the hedge. This phase is the responsibility of the manager of the risk being hedged, who draws on the technical functions involved in the hedge accounting process defined in the associated policy.

Once a hedging relationship has been designated, it must be demonstrated that the hedge is highly effective in offsetting fair value changes or stabilizing the cash flows attributable to the hedged risk during the period for which the hedge is designated.

The effectiveness of the hedge is demonstrated at the inception date and measured at the periodic reporting dates (March 31, June 30, September 30 and December 31), as well as on a monthly basis for internal transaction monitoring purposes.

The effectiveness of the hedge is measured by conducting so-called effectiveness tests (prospective and retrospective) based on both qualitative and quantitative methods, complying with the criterion of continuity. A hedging relationship is considered effective if at each measurement date both tests (prospective and retrospective) are passed. The failure of the effectiveness test(s) should result in the discontinuance of the hedging relationship, i.e. the termination of hedge accounting.

A. FAIR VALUE HEDGING

Fair value hedging is used to immunize changes in the fair value, attributable to the different risk factors, of assets and liabilities or portions of them, of groups of assets/liabilities, of irrevocable commitments and portfolios of financial assets and liabilities.

Iccrea Banca adopts both specific hedges (micro fair value hedges) and generic hedges (macro fair value hedges). These hedges therefore apply both to well-identified financial instruments (government securities – both fixed rate and indexed to European and Italian inflation – deposits, bond issues, loans and other financing) and to portfolios of fixed-rate financial instruments (securities holdings).

Within the scope of micro fair value hedging, hedges are mainly used for securities holdings, bonds issued and one hedge of a loan granted to a subsidiary, while macro hedging is applied to a portfolio of corporate securities.

The main types of derivatives used are represented by plain or structured interest rate swaps (IRS), asset and yield swaps (ASW), and options on interest rates entered into with third parties. These derivatives are not listed on regulated markets, but are traded on OTC markets.

The effects of designating the hedging relationship begin at the inception of the hedge with the identification of the portion and the type of hedged risk, the hedging strategy and the hedging instrument in accordance with the principles the Group has established concerning the methodology used to assess the effectiveness of the hedging relationship.

B. CASH FLOW HEDGING

Cash flow hedging seeks to hedge the exposure to the variability of future cash flows attributable to particular risks associated with balance sheet items or highly probable forecast transactions or to hedge exchange rate risk.

The derivatives used are interest rate swaps (IRS) not listed on regulated markets, transacted with third party counterparties on OTC markets.

C. HEDGING OF INVESTMENTS IN FOREIGN OPERATIONS

In 2022, there were no hedges of exchange rate risk on foreign currency transactions.

D. HEDGING INSTRUMENTS

Designated hedging transactions, with formal documentation identifying the relationship between the hedged instrument and the hedging instrument, are considered effective if at inception and for the entire duration of the hedging relationship changes in the fair value or the cash flows of the hedged instrument are almost completely offset by changes in the fair value or cash flows of the hedging derivative. The effectiveness of the hedge depends on the extent to which the changes in the fair value of the hedged instrument or the related expected cash flows are offset by those of the hedging instrument. Therefore, effectiveness is quantified by comparing the aforementioned changes, taking account of the intent pursued by the company at the time the hedge was established.

A hedge is effective when the changes in the fair value (or cash flows) of the hedging instrument almost entirely, i.e. within the specified limits, offset the changes in the hedged instrument for the risk being hedged.

Effectiveness is assessed at each annual or interim reporting date using:

- prospective tests aimed at demonstrating that changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk will be such as to offset changes in the fair value or cash flows of the hedged item. They are performed adopting both qualitative (Critical Term Match) and quantitative methods ("cumulative scenario method" or "linear regression method with curve simulation");
- retrospective tests aimed at measuring the actual effectiveness of the hedging relationship between the date of designation and the test date, determining the deviation of hedging relationships from the result that would be achieved with a perfect hedge. These tests are performed using quantitative methods, i.e. the dollar offset method and the volatility risk reduction method.

The main causes of ineffectiveness are attributable to the following:

- a misalignment between the notional of the derivative and the nominal of the hedged instrument at the time of the initial designation or generated subsequently, as in the case of the repurchase of bonds;
- the approach of the expiry of the transaction.

The ineffectiveness of the hedge is recognized promptly for the purposes of:

- determining the impact on profit or loss;
- assessing the possibility of continuing to apply hedge accounting rules.

If the assessments do not confirm the effectiveness of the hedge, the relationship considered terminated as of the last date from which the relationship was shown to be effective. This date coincides with the beginning of the period in which the effectiveness test was failed. However, if the event or the circumstances that led to the hedging relationship no longer meeting the criteria for effectiveness are identified and it is shown that the hedge was effective before the event or change in the circumstances occurred, hedge accounting is discontinued from the date of the event or change in those circumstances. The hedging derivative, if not extinguished, may be designated as a hedging instrument in another relationship that meets the relevant or be reclassified as a trading instrument.

The Bank does not use dynamic hedges, as defined in IFRS 7, paragraph 23C.

E. HEDGED ITEM

Hedged items designated as being in a hedge accounting relationship using micro and macro hedges are mainly government securities, corporate securities, bond issues and a loan to a company within the direct scope of consolidation.

These hedges are both total and partial and the hedged risk is mainly interest rate risk.

Debt securities held

These are hedged using micro fair value hedges and macro fair value hedges involving IRSs, ASWs and OISs as hedging instruments. Where present, interest rate and inflation risk are hedged for the duration of the obligation. The effectiveness tests are carried out using the dollar offset method for retrospective assessment and the cumulative scenario method for prospective assessment.

The Bank uses cash flow hedges with variable rate CCT securities to stabilize future cash flows by collecting a fixed rate on the receiver leg of the IRS, paying the variable rate collected on the CCT on the payer leg.

Debt securities issued

currently has active micro fair value hedging relationships for fixed-rate or foreign structured funding, using IRSs as hedging instruments.

Hedged bonds outstanding at December 31, 2022 are denominated in euros and are only covered by fair value hedges.

Fixed-rate loans

Iccrea Banca has designated a micro fair value hedge of a fixed-rate loan to a company within the direct scope of consolidation, mainly using IRSs as hedging instruments. The interest rate risk is hedged for the entire term of the hedged item. For micro-type hedges, the effectiveness tests are carried out using the dollar-offset method for retrospective assessment and the cumulative scenario method for prospective assessment.

QUANTITATIVE DISCLOSURES

A. FINANCIAL HEDGING DERIVATIVES

A.1 FINANCIAL HEDGING DERIVATIVES: END-PERIOD NOTIONAL VALUES

	Total 31/12/2022				Total 31/12/2021			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		Covered by netting arrangements	Not covered by netting arrangements			Covered by netting arrangements	Not covered by netting arrangements	
1. Debt securities and interest rates	**3,043,656**	**4,370,343**	**-**	**-**	**-**	**6,560,946**	**-**	**-**
a) Options	-	25,000	-	-	-	-	-	-
b) Swaps	3,043,656	4,345,343	-	-	-	6,560,946	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
3. Foreign currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swaps	-	-	-	-	-	-	-	-
c) Forwards	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Other	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**3,043,656**	**4,370,343**	**-**	**-**	**-**	**6,560,946**	**-**	**-**

A.2 FINANCIAL HEDGING DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUE - BREAKDOWN BY PRODUCT

	Positive and negative fair value								Change in value used to calculate hedge effectiveness	
	Total 31/12/2022				Total 31/12/2021					
	Over the counter				Over the counter					
		Without central counterparties				Without central counterparties				
	Central counterparties	Covered by netting arrangements	Not covered by netting arrangements	Organized markets	Central counterparties	Covered by netting arrangements	Not covered by netting	Organized markets	Total 31/12/2022	Total 31/12/2021
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swaps	484,930	85,771	-	-	-	37,112	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**484,930**	**85,771**	**-**	**-**	**-**	**37,112**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	765	-	-	-	-	-	-	-	-
b) Interest rate swaps	1,642	163,086	-	-	-	247,018	-	-	-	-
c) Cross currency swaps	-	-	-	-	-	-	-	-	-	-
d) Equity swaps	-	-	-	-	-	-	-	-	-	-
e) Forwards	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Other	-	-	-	-	-	-	-	-	-	-
Total	**1,642**	**163,851**	**-**	**-**	**-**	**247,018**	**-**	**-**	**-**	**-**

A.3 OVER-THE-COUNTER FINANCIAL HEDGING DERIVATIVES: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other
Contracts not covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity securities and equity indices				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Foreign currencies and gold				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Other assets				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Other				
- notional value	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts covered by netting arrangements				
1) Debt securities and interest rates				
- notional value	3,043,656	3,832,075	538,268	-
- positive fair value	484,930	76,592	9,180	-
- negative fair value	1,642	119,724	44,127	-
2) Equity securities and equity indices				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Foreign currencies and gold				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Other assets				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

A.4 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

	up to 1 year	more than 1 year and up to 5 years	more than 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	3,630,644	1,850,095	1,933,261	7,413,999
A.2 Financial derivatives on equity securities and equity indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.4 Financial derivatives on commodities	-	-	-	-
A.5 Other financial derivatives	-	-	-	-
Total 31/12/2022	**3,630,644**	**1,850,095**	**1,933,261**	**7,413,999**
Total 31/12/2021	**3,210,146**	**1,323,302**	**2,027,498**	**6,560,946**

B. HEDGING CREDIT DERIVATIVES

The section has not been completed because there are no such positions.

C. DERIVATIVE HEDGING INSTRUMENTS

The section has not been completed because the Bank has exercised the option provided for in paragraph 7.2.21 of IFRS 9 to continue applying the provisions on hedge accounting envisaged by IAS 39.

D. HEDGED ITEMS

D.1 FAIR VALUE HEDGES

	Micro hedges: carrying amount	Micro hedges		Macro hedges: carrying amount
		Cumulative value of fair value changes of the hedged instrument	Change in value used to calculate hedge effectiveness	
A. ASSETS				
1. Financial assets measured a fair value through other comprehensive income – hedges of:	**118,520**	**-**	**-**	**16,300**
1.1 Debt securities and interest rates	118,520	-	-	x
1.2 Equity securities and equity indices	-	-	-	x
1.3 Foreign currencies and gold	-	-	-	x
1.4 Loans	-	-	-	x
1.5 Other assets	-	-	-	x
2. Financial assets measured at amortized cost – hedges of:	**4,786,858**	**(774,882)**	**-**	**-**
1.1 Debt securities and interest rates	4,786,858	(774,882)	-	x
1.2 Equity securities and equity indices	-	-	-	x
1.3 Foreign currencies and gold	-	-	-	x
1.4 Loans	-	-	-	x
1.5 Other assets	-	-	-	x
Total 31/12/2022	**4,905,378**	**(774,882)**	**-**	**16,300**
Total 31/12/2021	**7,402,168**	**73,704**	**-**	**16,300**
B. LIABILITIES				
1. Financial liabilities measured at amortized cost – hedges of:	**84,198**	**(1,790)**	**-**	**-**
1.1 Debt securities and interest rates	84,198	(1,790)	-	x
1.2 Foreign currencies and gold	-	-	-	x
1.3 Other assets	-	-	-	x
Total 31/12/2022	**84,198**	**(1,790)**	**-**	**-**
Total 31/12/2021	**85,867**	**(1,514)**	**-**	**-**

D.2 CASH FLOW HEDGES AND HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS

	Change in value used to calculate hedge effectiveness	Hedge reserves
A. CASH FLOW HEDGES		
1. Assets	(19)	(22,460)
1.1 Debt securities and interest rates	(19)	(22,460)
1.2 Equity securities and equity indices	-	-
1.3 Foreign currencies and gold	-	-
1.4 Loans	-	-
1.5 Other	-	-
2. Liabilities	-	-
1.1 Debt securities and interest rates	-	-
1.2 Foreign currencies and gold	-	-
1.3 Other	-	-
Total A 31/12/2022	**(19)**	**(22,460)**
Total A 31/12/2021	**(7)**	**(5,087)**
B. HEDGES OF INVESTMENTS IN FOREIGN OPERATIONS	**X**	**-**
Total A+B 31/12/2022	**(19)**	**(22,460)**
Total A+B 31/12/2021	**(7)**	**(5,087)**

E. EFFECTS OF HEDGING TRANSACTIONS IN EQUITY

E.1 - RECONCILIATION OF EQUITY COMPONENTS

	Reserve from cash flow hedges					Reserve from hedge of investments in foreign operations				
	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Loans	Other	Debt securities and interest rates	Equity securities and equity indices	Foreign currencies and gold	Loans	Other
Opening balance	**(5,087)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fair value changes (effective portion)	(17,605)	-	-	-	-	-	-	-	-	-
Reversal to profit or loss	232	-	-	-	-	-	-	-	-	-
of which: forecast transactions no longer expected	-	-	-	-	-	X	X	X	X	X
Other changes	-	-	-	-	-	-	-	-	-	-
of which: transfers to initial carrying amount of hedged instruments	-	-	-	-	-	X	X	X	X	X
Closing balance	**(22,460)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

3.3 OTHER INFORMATION ON TRADING AND HEDGING DERIVATIVES

A. FINANCIAL AND CREDIT DERIVATIVES

A.1 OVER-THE-COUNTER FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE BY COUNTERPARTY

	Central counterparties	Banks	Other financial companies	Other
A. Financial derivatives				
1) Debt securities and interest rates				
- notional value	11,309,980	24,411,073	1,550,682	30,583
- positive fair value	1,699,773	484,108	23,199	-
- negative fair value	1,642	1,691,443	100,435	253
2) Equity securities and equity indices				
- notional value	-	4,338	570	-
- positive fair value	-	225	-	-
- negative fair value	-	30	-	-
3) Foreign currencies and gold				
- notional value	-	8,386,225	2,588,299	-
- positive fair value	-	81,285	15,402	-
- negative fair value	-	48,838	47,159	-
4) Commodities				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Other				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
B. Credit derivatives				
1) Purchases of protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Sales of protection				
- notional value	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

SECTION 4 - LIQUIDITY RISK

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

GOVERNANCE AND ORGANIZATIONAL MODEL

Iccrea Banca, in its capacity as the Parent Company of the Iccrea Mutual Banking Group, is responsible for the management, coordination and control of liquidity risk management within the entire Group in compliance with the principles of sound and prudent management.

In exercising this role, the Parent Company determines the governance model and mechanisms that govern the various stages involved in the management of liquidity and oversight of the associated risks, as well as interactions between business and control units in order to ensure an appropriate level of liquidity at the consolidated and individual levels at the intraday, short and medium/long-term time horizons.

As provided for under the Cohesion Contract, the Parent Company defines liquidity risk management policies, in accordance with the strategic planning and definition of the RAF.

RISK MANAGEMENT PROCESSES

Liquidity risk is identified and monitored using the operational and structural maturity ladder (in order to identify possible negative liquidity gaps in relation to specified maturity structure) and the overall liquidity indicator system (RAS, risk limits, contingencies and monitoring indicators), designed to quickly identify potential strains.

The process of revising the methodologies, the different assumptions underlying the measurements and the thresholds/limits set for liquidity indicators, carried out at least annually, enables the alignment of the overall Liquidity Risk Framework and the indicator system with specific developments in the Bank and market conditions.

Identification of risks

The liquidity risk identification phase can be broken down by the length of the observation horizon:

- operational liquidity – divided into two complementary levels:
  - intraday and very short-term liquidity*:* monitored on a daily basis in order to identify sources of risk that impact the Bank's ability to promptly balance very short-term cash inflows and outflows and maintain a volume of liquidity sufficient to ensure compliance with the liquidity coverage ratio (LCR) requirement;
  - short-term liquidity: identification of sources of risk that impact the Bank's ability to meet its expected and unexpected payment obligations over a short-term horizon (up to 12 months);
- structural liquidity - identification of structural mismatches between assets and liabilities maturing at more than 1 year and integration with short-term liquidity management as well as planning of actions and preventing the future creation of short-term liquidity shortfalls.

The Bank's liquidity profile, and therefore its exposure to liquidity risk, is closely related to the business model adopted, the composition of the balance sheet - in terms of assets, liabilities and off-balance sheet items - as well as the related maturity profile.

The process of identifying and classifying the risk factors connected with the operational and structural liquidity profiles seeks to define the elements that, in terms of risk exposure, could trigger a deterioration in the liquidity position when endogenous and/or exogenous stress events occur.

Liquidity risk can be generated by various factors both internal and external to the Bank. The sources of liquidity risk can therefore be divided into the following macro-categories:

- endogenous: represented by adverse events specific to the Bank (e.g. a deterioration in the Bank's credit standing and loss of confidence by creditors);
- exogenous: when the origin of the risk is attributable to adverse events that cannot be directly controlled by the Bank (political crises, financial crises, catastrophic events, etc.) that give rise to liquidity tensions in the markets;
- combinations of the previous factors.

Measurement of risks

Measuring liquidity risk involves the activities performed to observe and quantify on a comprehensive, accurate and timely basis the exposure to such risk over the selected observation horizon.

Measuring the exposure to liquidity risk is based on an assessment of expected cash inflows and outflows – and the consequent deficits or surpluses – in the various residual maturity bands that make up the maturity ladder in order to:

- monitor the risk profile in “business as usual” conditions, overseeing the overall system of indicators that characterize the Liquidity Risk Framework;
- execute stress testing, which involves the determination of the liquidity position in severe but plausible adverse scenarios, assessing the impact at the consolidated and individual levels.

The risk position is measured with the use of models, specific indicators and additional metrics developed either internally or established in regulations.

The analysis of the maturity profiles depends substantially on assumptions about the future cash flows associated with the various assets and liabilities, both on-balance-sheet and off-balance-sheet, which take account of the economic maturities of the balance sheet elements rather than contractual dates, without neglecting the application of reasonable prudence criteria.

The risk position is measured using static and dynamic approaches, in line with the provisions of the company budget/strategic plan concerning the assets, liabilities and equity items in the financial statements, as well as off-balance-sheet transactions.

On the basis of the desired time horizon, two maturity curves are developed: operational and structural.

The operational maturity ladder is used to monitor the short-term liquidity position and is determined both in a business-as-usual scenario and in a stress scenario by applying prudential run-offs to contractual cash flows generated by assets and liabilities and to the margins of credit lines.

The intraday liquidity position is measured with metrics aimed at monitoring the maximum use of liquidity on an intraday basis, the reserves available at the beginning of each business day to meet liquidity requirements, gross payments sent and received and “time-specific” obligations.

The treasury position is measured on a daily basis by quantifying the liquidity reserves (i.e. counterbalancing capacity, or CBC) and using them to cover any possible negative liquidity balance over the reference time horizon.

This system for monitoring operational liquidity makes it possible to monitor:

- management of access to the payments system (operational liquidity management);
- management of the liquidity outflow profile;
- the size and degree of use of liquidity reserves (analysis and active management of the maturity ladder);
- the active management of collateral (cash-collateral management, i.e. refinanceable securities and bank loans);
- the integration of short-term liquidity management actions with structural liquidity requirements.

The structural maturity ladder is used to monitor the overall liquidity position, both at short and medium/long-term. It is determined by applying prudential run-offs to contractual cash flows generated by assets and liabilities and to the margins of credit lines. The projection of cash inflows and outflows at the various time bands in the ladder is carried out using two distinct approaches in relation to the purpose of the analysis.

The first approach identifies cash flows based on the contractual maturities of the items considered;

The second approach is based on the adoption of behavioral assumptions, with specific regard to the modeling of demand items and margins on the credit lines granted in both a business-as-usual scenario and in a stress scenario.

This tool is essential for obtaining a view of funding requirements and an understanding of the liquidity risk associated with execution of the funding plan, thereby preventing the emergence of future liquidity strains. In addition, the structural maturity ladder makes it possible to control:

- the management of maturity transformation in accordance with the guidelines established by management;
- support for the funding decisions in the funding plan.

Risk prevention and attenuation

Liquidity risk is managed using a comprehensive system of limits, which is a key tool in the management, control and attenuation of risks within the Liquidity Risk Framework. The definition of this system took account of the nature, objectives and complexity of operations.

The system of limits (RAS, risk limits and contingencies) is defined by the Parent Company consistent with its policy-setting and coordination role and subsequently deployed in accordance with a structured cascading process to the subsidiaries (where applicable) consistent with the liquidity risk management model adopted.

The system of limits is also accompanied by a comprehensive system of systems and controls that contribute to defining the overall control model set out and formalized in the associated policy.

The controls established to manage liquidity risk break down as follows:

- Level I controls, which are intended to ensure the correct registration and maintenance of transactions over time;
- Level II controls, which are intended to measure, monitor and report the liquidity profile and activate escalation mechanisms;
- Level III controls (Internal Audit), which are intended to verify compliance with rules and procedures as well as internal and external regulations.

Monitoring and reporting

Control activities are carried out by the Risk Management function and are intended to monitor the exposure to liquidity risk in order to prepare reports for transmission to the competent units and to initiate the escalation mechanisms should the specified limits be exceeded. Control activities is based on the assessment and measurement of the risk profile with respect to the risk indicators established by the Risk Governance framework and are an instrumental part of:

- the timely identification of risk profile developments that might compromise achievement of the risk limits;
- the prompt activation of recovery plans in response to specified conditions on the basis of the “magnitude” of the over-limit position.

Liquidity risk control and monitoring activities are carried out within the internal self-regulatory framework. At an operational level, communication between the management functions and Risk Management takes place daily through in-depth discussions on risk developments that increase awareness of the profiles of the risks assumed (in accordance with the specified profitability objectives), thus facilitating the definition of appropriate management decisions.

An additional level of communication is embodied in the reporting system, which represents a decision support tool to provide the various organizational units involved with adequate and timely information on both the strategic and operational levels. The content, level of detail and frequency of the reporting are determined in accordance with the goals and roles assigned to the different recipients so as to ensure easy consultation, immediate perception of the situation and a comprehensive understanding of developments.

In particular, Risk Management performs codified and formalized monitoring and reporting activities within the Risk Appetite Framework and the Risk Policies, with the preparation of periodic reporting to provide appropriate disclosure to the management functions, senior management and the Board of Directors.

Stress test framework

The liquidity position is monitored in the normal course of business and under stress conditions. For the latter, a stress test framework has been defined on the basis of the indicators that characterize the Liquidity Risk Framework.

The stress test analyses are used to measure the degree to which the liquidity position can deteriorate in the event of especially adverse market conditions, thereby enabling verification of its robustness.

Accordingly, the objectives of the stress testing are:

- to verify the capacity to cope with unexpected liquidity crises in the first period in which they occur, before activating initiatives to modify the structure of assets or liabilities;
- to assess vulnerabilities in the liquidity profile, evaluating possible connections between the various risk categories as part of the periodic monitoring process;
- to calibrate the specific risk thresholds for the RAS and Risk Limit indicators for operational and structural liquidity, verifying whether the level of existing limits enables the maintenance of a level of liquidity that ensures that any coverage actions do not compromise business strategies;
- to identify, in preparing the recovery plan, scenarios that would compromise the survival of the Bank if appropriate recovery actions were not taken;

- to test the effectiveness of mitigation actions taken within the Contingency Funding & Recovery Plan and recovery actions provided for in the “near-default” scenarios to be taken in adverse situations in order to limit the exposure to liquidity risk;
- verify the feasibility of the funding plan, taking due account of the findings of the stress analysis.

In accordance with regulatory provisions, the Bank develops scenarios characterized by stress scenarios associated with the occurrence of systemic or idiosyncratic events in order to test potential liquidity vulnerabilities.

In line with the applicable regulatory guidelines, various types of mutually complementary analyses have been adopted:

- sensitivity analysis: analysis of liquidity position to the marginal impact of different types of shocks, considered separately or jointly, relating to one or more risk factors;
- scenario analysis: analysis consisting in the assessment of the Bank’s ability to cope with a potential deterioration in its liquidity profile based on a combination of shocks associated with one or more risk factors in accordance with specific evolutionary stress dynamics;
- reverse stress testing: analysis consisting in identifying one or more stress scenarios whose impact leads to a pre-established result identified ex-ante. The reverse stress testing makes it possible to investigate, using a recursive analysis process, the size and probability of occurrence of the events that lead to this result.

Depending on the purpose of the analysis, the time horizon of the stress exercise, the speed of propagation of shocks and the approach to be adopted for the projection of operations (static/dynamic) are defined.

The types of stress test that characterize the framework provide for the occurrence of sever but plausible events (scenarios) that can be classified into three categories:

- stress scenarios caused by a systemic event, i.e. an event (or combination of events) reflecting specific macroeconomic variables whose occurrence generates/involves adverse consequences for the entire financial system and/or the real economy and therefore for the Bank;
- stress scenarios caused by specific events (idiosyncratic), i.e. an event (or combination of events) whose occurrence generates/involves highly adverse consequences for the Bank. In defining those events, a specific analysis was conducted, considering the specific organizational, operational and risk features that distinguish the Bank;
- stress scenarios generated by a combination of specific and systemic events, i.e. the occurrence of combined events within the same scenario.

The underlying methodological approach for the construction of the systemic and idiosyncratic stress scenarios envisages the identification of the individual types of liquidity risk and the funding/lending items affected by those risks, so as to estimated inflows and outflows for the purpose of highlighting liquidity gaps and verifying the stability of the risk indicators and the ability of the Bank to cope with any liquidity strains.

Shocks generated by the main risk variables have been incorporated for each scenario, identified on the basis of a logic consistent with the overall stress test framework, enabling the association of specific levels of propagation and the related impact on the indicators.

The stress scenarios do not take account of the effects of exchanges rates on currencies, as exchange rate risk is assumed to be negligible and/or essentially offset.

For example, systemic events considered in constructing the scenarios include:

- a financial market shock that involves a significant change in the level of interest rates;
- a systemic shock that involves a drastic reduction in access to the money market;
- a liquidity squeeze on the interbank market;
- a recession;
- the default of systemically important counterparties.

Idiosyncratic events considered in constructing scenarios include:

- outflows of liquidity caused by substantial withdrawals of deposits by counterparties;
- the occurrence of reputational events that make it difficult to renew funding sources;
- adverse movements in the prices of asset to which the bank is most exposed;
- significant loan losses.

In determining and constructing combined stress scenarios, the framework provides for a targeted combination of systemic and idiosyncratic events in order to increase the severity of the stress exercises. For prudential purposes, the framework does not envisage offsetting effects deriving from the combination of the events considered.

IMPACT OF THE COVID-19 PANDEMIC

The risk measurement and control system has not undergone significant changes as a result of the COVID-19 pandemic as it already meets the requirements for the sound and prudent management of risks, including economic-financial risks, generated in the wake of the onset of health emergency.

QUANTITATIVE DISCLOSURES

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

EURO

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Unspecified maturity
A. On-balance-sheet assets	**2,810,174**	**2,476,146**	**750,383**	**1,370,862**	**1,678,826**	**7,015,727**	**3,554,638**	**26,206,811**	**7,448,841**	**609,659**
A.1 Government securities	-	-	2,753	1	104,053	744,693	895,211	3,043,152	4,174,349	-
A.2 Other debt securities	911	-	249	1,895	71,800	18,324	130,565	1,129,161	984,220	20,200
A.3 Units in collective investment undertakings	403,015	-	-	-	-	-	-	-	-	-
A.4 Loans	2,406,248	2,476,146	747,381	1,368,967	1,502,972	6,252,710	2,528,863	22,034,498	2,290,272	589,459
- banks	1,392,487	1,863,363	746,468	1,047,530	1,060,624	5,867,429	1,936,827	19,003,401	1,446,271	589,459
- customers	1,013,761	612,783	914	321,436	442,348	385,281	592,036	3,031,096	844,001	-
B. On-balance-sheet liabilities	**10,336,090**	**4,142,440**	**20,064**	**529,198**	**1,205,084**	**6,351,091**	**4,130,883**	**25,139,354**	**2,370,698**	**-**
B.1 Deposits and current accounts	9,627,314	-	20,038	112,859	288,608	2,226,236	793,896	2,493,408	352,672	-
- banks	8,368,704	-	20,038	112,859	288,599	2,226,236	793,896	2,493,408	352,672	-
- customers	1,258,610	-	-	-	9	-	-	-	-	-
B.2 Debt securities	-	1,056	-	30,241	7,169	6,473	312,124	1,938,790	1,199,900	-
B.3 Other liabilities	708,776	4,141,384	26	386,099	909,307	4,118,382	3,024,862	20,707,156	818,126	-
C. Off-balance-sheet transactions "										
C.1 Financial derivatives with exchange of principal										
- long positions	-	1,030,069	136,628	50,839	1,147,785	172,149	290,389	43,720	150,701	-
- short positions	43	1,100,314	120,720	52,099	1,126,557	201,893	208,022	33,978	173,066	-
C.2 Financial derivatives without exchange of principal										
- long positions	3,168,453	-	217	103	23,011	32,710	88,977	-	-	-
- short positions	3,161,717	-	37	475	13,280	92,325	31,571	-	-	-
C.3 Deposits and loans to receive										
- long positions	-	4,657,035	-	173,379	-	534,173	241,257	285,800	-	-
- short positions	-	1,256,653	-	311,702	1,876,459	1,678,519	339,617	428,693	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	15,113	750,182	-	-	4,371	4,931	6,730	95,162	59,240	-
- short positions	199,026	326,801	-	-	423,334	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

OTHER CURRENCIES

	On demand	More than 1 day to 7 days	More than 7 days to 15 days	More than 15 days to 1 month	More than 1 month to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 5 years	More than 5 years	Unspecified maturity
On-balance-sheet assets	**57,312**	**6,823**	**3,052**	**12,418**	**15,062**	**17,446**	**1,523**	**7,738**	**542**	**-**
A.1 Government securities	-	-	-	-	22	38	41	5,275	521	-
A.2 Other debt securities	82	-	-	1,720	135	202	1,144	1,809	21	-
A.3 Units in collective investment undertakings	92	-	-	-	-	-	-	-	-	-
A.4 Loans	57,139	6,823	3,052	10,698	14,906	17,206	337	653	-	-
- banks	57,139	6,823	3,052	10,698	14,906	10,125	337	653	-	-
- customers	-	-	-	-	-	7,081	-	-	-	-
On-balance-sheet liabilities	**111,867**	**28,070**	**5,492**	**6,565**	**17,700**	**1,850**	**1,337**	**767**	**652**	**-**
B.1 Deposits and current accounts	106,352	28,070	5,492	6,565	17,700	1,829	1,258	-	-	-
- banks	106,352	28,070	5,492	6,565	17,700	1,829	1,258	-	-	-
- customers	1	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	5,515	-	-	-	-	20	79	767	652	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	43	4,950,898	841,175	74,417	2,151,261	203,466	291,253	949	177	-
- short positions	-	4,877,750	857,098	74,689	2,158,512	171,544	374,125	2,625	151	-
C.2 Financial derivatives without exchange of principal										
- long positions	2,227	-	-	-	-	-	-	-	-	-
- short positions	1,291	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive										
- long positions	-	9,359	-	-	-	-	-	-	-	-
- short positions	-	9,359	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	-	32	-	-	-	-	-	-	-	-
- short positions	-	32	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

SECTION 5 - OPERATIONAL RISKS

QUALITATIVE DISCLOSURES

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISKS

Operational risk means the risk of losses caused by the inadequacy or malfunction of procedures, human resources and internal systems or the occurrence of external events. For example, such losses include those caused by fraud, human error, operational interruptions, system unavailability, breach of contract and natural disasters.

The various types of operational risk to which the Bank is structurally exposed therefore include IT risk and reputational risk. This is associated with the banking activities carried out with the public and financial and institutional counterparties, as well as the numerous national and international regulations to which the Bank is subject.

The organizational model adopted by the Bank within the Group to manage and monitor operational risks is structured into two levels:

- at the Parent Company, the Operational & IT Risk Management unit has been established, reporting to Group Risk Management within the CRO area, which is responsible for operational and IT risks and is charged with:
  - responsibility for policy-making and coordinating risk management activities for the Iccrea Mutual Banking Group concerning operational and IT risks. This unit operates as a specialist hub for this area;
  - responsibility for supporting the Risk Management functions of the direct scope subsidiaries and, through the Mutual Bank Risk Management Coordination unit, the risk management functions of the affiliated banks;
- at the affiliated banks and direct scope subsidiaries, the Risk Management units report to their boards of directors and are responsible, among other duties, for monitoring and managing developments in the exposure to operational risks.

The methodological aspects underlying the management framework and the related methods of application to the Group companies were formalized and approved at the end of 2019, and updated in 2020, as part of specific Group policies (Operational Risk Management Framework, IT Risk Management Framework, Loss Data Collection, Operational Risk Self-Assessment and IT Risk Self-Assessment).

This framework has been developed in accordance with the typical phases of the operational risk management process, namely:

- identification of risks (knowledge): a set of activities directed at identifying operational and IT risks by assessing the factors that drive their dynamics, taking account of the dual perspective of events that have already occurred (i.e. operational loss data) and potential risk (assessed through the collection of business expert opinion).
- evaluation/measurement of identified risks (awareness): a set of activities for assessing/measuring Group operational and IT risks.
- risk prevention and attenuation (strategy): a set of activities for the ex-ante identification of the possible ways of preventing and mitigating unfavorable developments in the dynamics of operational and IT risks. Definition of actions to prevent the occurrence of unfavorable events and mitigate the effects of the manifestation of events connected with operational and IT risks, and the implementation of measures to ensure that possible risk scenarios underlying operations evolved within the tolerated risk appetite levels defined for specific operating or business segments.
- monitoring and reporting (tracking and control): a set of activities to monitor the Group's risk profile and deliver comprehensive reporting to provide timely, accurate and appropriate support to the decision-making process underlying "Risk Prevention and Mitigation" and "Risk Management and Mitigation".
- risk management and mitigation (reaction and proactivity): a set of activities and actions to support the management of operational and IT risks, implement actions to prevent the occurrence of adverse events and to attenuate the effects of events related to operational risks, and to constantly monitor the results of the activities performed. This phase concerns the management of operational risks subsequent to the preventive measures taken in the strategic assumption of risk, responding to developments (operating losses or changes in the risk profile) that impact the level of risk determined ex ante.

The loss data collection process has currently been adopted by Iccrea Banca and all the Group companies that contribute, with a specified frequency, to the collection of historical events and losses through the Group application solution, which is available to both the companies within the direct scope of the Group and the affiliated banks.

As regards the assessment processes for operational risks (OR-SA) and IT risk (IR-SA), the identification and assessment of prospective risks have been initiated and conducted for certain companies within the direct scope, and continued in 2022 in respect of the affiliated banks. In 2022, the development of the related application system also continued to support operational and IT risk management.

With specific reference to IT risk, March 2022 saw the finalization of the annual IT risk profile assessment of Iccrea Banca and BCC Sistemi Informatici, which is the prime supplier of ICT services to the Bank.

As in the previous year, 2022 also saw a specific training effort for the Operational Risk Management framework, with specific attention being paid to operating approaches and support applications.

The Parent Company's Operational Risk Management function also supported the collection of operational loss events at the Group level for management reporting use and for QIS and COREP regulatory reporting purposes, and contributed in its areas of responsibility to the performance of the stress tests envisaged as part of the ICAAP.

With regard to the monitoring activities of the Incident Management Process, significant incidents were monitored continuously, from the time of their occurrence until closure of the incident, with the performance of assessment activities in the event of incidents with specific characteristics or for which particular risk factors were identified. Specific periodic reporting is prepared for these activities.

QUANTITATIVE DISCLOSURES

As provided for in Circular no. 285/2013 of the Bank of Italy as updated, for reporting purposes the Bank calculates operational risks using the Basic Indicator Approach. Under the Basic Indicator Approach, the capital requirement is calculated by applying a regulatory coefficient to an indicator of the volume of business, which in the case of the Bank is "gross income". In particular, the Bank's capital requirement, equal to 15% of the average of the last three observations of gross income at the end of the previous year (December 31, 2021), amounted to €71,392 thousand.

RELEVANT INDICATOR	PERIOD	VALUE
- at December 31, 2022	T	490,325
- at December 31, 2021	T-1	608,648
- at December 31, 2020	T-2	328,873
Relevant indicator average		**475,949**
Regulatory coefficient		**15%**
Capital requirement		**71,392**

PART F - INFORMATION ON CAPITAL

SECTION 1 - COMPANY CAPITAL

A. QUALITATIVE DISCLOSURES

Shareholders' equity (share capital, share premium reserve, reserves, equity instruments, own shares, valuation reserves, redeemable shares, profit/loss for the period) represents the Bank's capital, i.e. the sum of financial resources used for achieving the corporate purpose and dealing with the risks of business. Therefore, equity represents the main safeguard against the risks of the banking business and, as such, the amount of capital must be sufficient to ensure an appropriate degree of independence in development and growth and guarantee the soundness and stability of the company on an ongoing basis.

B. QUANTITATIVE DISCLOSURES

B.1 COMPANY CAPITAL: COMPOSITION

	31/12/2022	31/12/2021
1. Share capital	1,401,045	1,401,045
2. Share premium reserve	6,081	6,081
3. Reserves	236,491	183,456
- earnings	236,491	183,456
a) legal	56,102	50,785
b) established in bylaws	205	205
c) treasury shares	-	-
d) other	180,184	132,466
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	18,548	45,353
- Equity securities designated as at fair value through other comprehensive income	1,517	2,452
- Hedges of equity securities designated as at fair value through other comprehensive income	-	-
- Financial assets measured at fair value through other comprehensive income	(10,941)	(947)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	(22,460)	(5,087)
- Hedging instruments [undesignated elements]	-	-
- Foreign exchange differences	-	-
- Non-current assets held for sale	-	-
- Financial liabilities designated as at fair value through profit or loss (change in own credit rating)	-	-
- Actuarial gains (losses) on defined benefit plans	(1,629)	(3,127)
- Share of valuation reserves of equity investments accounted for using equity method	-	-
- Special revaluation laws	52,062	52,062
7. Net profit (loss) for the period	439,793	53,178
Total	**2,101,960**	**1,689,114**

B.2 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: COMPOSITION

	Total 31/12/2022		Total 31/12/2021	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	1,289	(12,231)	343	(1,290)
2. Equity securities	6,375	(4,858)	3,381	(929)
3. Loans	-	-	-	-
Total	**7,664**	**(17,088)**	**3,725**	**(2,219)**

B.3 VALUATION RESERVES FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME: CHANGE FOR THE PERIOD

	Debt securities	Equity securities	Loans
1. Opening balance	**(947)**	**2,452**	**-**
2. Increases	**11,353**	**3,173**	**-**
2.1 Fair value gains	8,919	3,173	-
2.2 Writedowns for credit risk	1,066	X	-
2.3 Reversal to income statement of negative reserves: from realization	1,368	X	-
2.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**21,348**	**4,109**	**-**
3.1 Fair value losses	21,347	4,109	-
3.2 Writebacks for credit risk	-	-	-
3.3 Reversal to income statement of positive reserves: from realization	1	X	-
3.4 Transfers to other components of shareholders' equity (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**(10,941)**	**1,517**	**-**

B.4 VALUATION RESERVES FOR DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

	31/12/2022	31/12/2021
1. Opening balance	**(3,127)**	**(2,708)**
2. Increases	**2,258**	**-**
2.1 Actuarial gain from change in financial assumptions	2,258	-
2.2 Actuarial gain from change in demographic assumptions	-	-
2.3 Other changes	-	-
3. Decreases	**760**	**420**
3.1 Actuarial loss from change in financial assumptions	-	331
3.2 Actuarial loss from change in demographic assumptions	-	-
3.3 Other changes	760	88
4. Closing balance	**(1,629)**	**(3,127)**

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

See the disclosures on own funds and capital adequacy in the Third Pillar disclosures.

PART G - BUSINESS COMBINATIONS

The section was not completed as there were no such positions as of the reporting date.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table provides information on the remuneration paid in 2022 to key management personnel as required by IAS 24. Key management personnel are managers who have the power and responsibility, directly or indirectly, for the planning, management and control of the Bank's activities, including the directors and members of the supervisory bodies.

	Total 31/12/2022				
	Short term benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments
Key management personnel	5,566	224	-	-	-

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

For the purposes of the preparation of these disclosures, pursuant to IAS 24 a related party is a person or entity who is related to the reporting entity:

a) a person or close family member of that person is related to a reporting entity if that person:

i. has control or joint control of the reporting entity;

ii. has a significant influence over the reporting entity;

iii. or is one of the key management personnel of the reporting entity or one of its parent companies.

b) an entity is related to a reporting entity if any of the following conditions apply:

iv. the entity and the reporting entity are part of the same group (which means that each parent, subsidiary and group company is related to the others);

v. an entity is an associated or joint venture of the other entity (or an associate or joint venture belonging to the group to which the other entity belongs);

vi. both entities are joint ventures of the same third party;

vii. an entity is a joint venture of a third-party entity and the other entity is an associate of the third-party entity;

viii. the entity is represented by a post-employment benefit plan for the employees of the reporting entity or an entity related to it. If the reporting entity is itself a plan of this type, the employers who sponsor it are also related to the reporting entity;

ix. the entity is controlled or jointly controlled by a person identified in point (a);

x. a person identified in point (a) i) has a significant influence over the entity or is one of the key management personnel of the entity (or its parent);

xi. the entity, or any member of a group to which it belongs, provides management services with strategic responsibilities to the reporting entity or to the parent company of the reporting entity.

In December 2011, the Bank of Italy issued the rules governing related party transactions contained in Circular 263/2006, with which it sought to strengthen the arrangements for managing the risk that the proximity of certain persons to a bank's decision-makers could compromise the impartiality and objectivity of decisions concerning the granting of loans and other transactions with them, with possible distortions of the resource allocation process, the exposure of the bank to risks that are not adequately measured or monitored, and potential losses for depositors and shareholders.

Iccrea Banca has adopted a document governing the principles and rules applicable to related party transactions in compliance with regulations of the supervisory authorities.

In compliance with supervisory regulations, all transactions carried out by the Bank with its related parties were carried out in compliance with the principles of substantive and procedural fairness, on terms analogous to those applied to transactions with independent counterparties. No unusual or atypical transactions were carried out with related parties, nor were any such transactions carried out with other counterparties.

The following table summarizes the financial effects of transactions with the related parties of the Bank.

	At 31/12/2022			
	Subsidiaries	Associated companies	Key management personnel	Other related parties
Financial assets	38,423,919	320,628	-	-
Total other assets	110,998	-	-	-
Financial liabilities	15,534,305	203,979	-	-
Total other liabilities	98,438	-	-	-
Commitments and financial guarantees issued	7,215,098	79,701	-	-
Commitments and financial guarantees received	14,932	-	-	-
Provisions for doubtful loans	-	-	-	-

	At 31/12/2022			
	Subsidiaries	Associated companies	Key management personnel	Other related parties
Interest income	113,878	915	-	0
Interest expense	(205,101)	(274)	-	-
Dividends	-	-	-	-
Fee and commission income	190,367	197,769	-	-
Fee and commission expense	(219,735)	(126,894)	(5,790)	-
Other operating expenses/income	(65,248)	-	-	(1,035)
Net gain (loss) on trading activities	(1,486,657)	-	-	-
Net gain (loss) on hedging activities	-	-	-	-
Writedowns/writebacks of impaired financial assets	-	-	-	-

PART I - SHARE-BASED PAYMENTS

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

PART L - OPERATING SEGMENTS

Exercising of the option granted by IFRS 8, segment information is presented solely with regard to the consolidated financial statements.

PART M - LEASE DISCLOSURES

SECTION 1 – LESSEE

QUALITATIVE DISCLOSURES

Iccrea Banca's leases essentially regard property and car leases.

At December 31, 2022, the Bank held 356 leases, of which 32 relating to property leasing, and 324 relating to cars for total right-of-use assets of €2,300 thousand.

The properties are mostly used for banking and general management activities. Based on historical experience, the Bank includes the first lease extension in computing the lease term, in addition to the non-cancellable period, if renewal depends exclusively on the lessee. Therefore, both at the date of FTA and upon initial recognition of a contract under IFRS 16, the first reasonably certain lease extension has been considered, unless there is effective evidence of relevant facts and circumstances that would counsel a different assessment. Therefore, in the case of a lease for property with a term of 6 years and a tacit renewal option at the end of the first six-year period, the term considered in determining the useful life of the right of use is 12 years, unless there are facts or circumstances that suggest a different assessment.

Car leases regard contracts for cars assigned to employees for business use. These contracts usually come in the form of "long-term rentals", and are therefore have a multi-year term and usually do not include a final purchase option.

As already indicated in the accounting policies, the Group has elected to exercise the exemptions permitted by IFRS 16 for short-term leases (term of less than or equal to 12 months) and low-value leases (where the value of the asset is less than or equal to €5,000).

QUANTITATIVE DISCLOSURES

Part B of the notes to the financial statements reports right-of-use assets acquired with leases in the amount of €2,300 thousand (Table 8.1 – Operating property, plant and equipment: composition of assets carried at cost); with leases liabilities of €2,335 thousand reported in Table 1.2 - Financial liabilities measured at amortized cost: composition of amounts due to customers.

Part C Income statement reports interest in respect of lease liabilities of about €44 thousand (Table 1.3 Interest and similar expense, Financial liabilities measured at amortized cost: amounts due to customers).

The following table breaks down depreciation charges (reported in Table 12.1 on the income statement) for right-of-use assets into the various categories.

The right of use relating to leased assets (rental of properties and cars) has been recognized under the sub-item "Assets acquired under finance leases" as required by IFRS 16.

	Property	Automobiles	Total 2022	Total 2021
Initial value	535	3,538	4,073	3,223
Purchases	125	117	243	2,995
Other changes	(3)	(67)	(70)	(1)
Depreciation	(412)	(1,533)	(1,945)	(2,144)
- of which: sales			(10)	(39)
Assets acquired under financial lease	**245**	**2,056**	**2,300**	**4,073**
Value assets held for sale			-	(48)
Total	**245**	**2,056**	**2,300**	**4,025**

SECTION 2 – LESSOR

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

ATTACHMENTS - ACCOUNTS OF THE GUARANTEE SCHEME

DOCUMENT OBJECTIVE

Under the provisions of the Guarantee Scheme, which is governed by legislation and the Cohesion Contract, each bank participating in the Iccrea Mutual Banking Group has paid in a guarantee contribution - commensurate with its risk-weighted exposures and limited to capital in excess of the mandatory requirements at the individual level - in order to give the Parent Company readily available funds (RAFs) to undertake financial support interventions to ensure the solvency and liquidity of the individual affiliated banks.

The RAFs are represented by:

- an Ex Ante Quota established at the Parent Company through loans for a specific transaction pursuant to Article 2447-bis, letter b) and Article 2447-decies of the Italian Civil Code;
- an Ex Post Quota that can be called up by the Parent Company in case of need, established with an irrevocable commitment of the affiliated banks to the Parent Company.

The objective of this document is to present the separate accounts of the loan for a specific transaction and to report on the overall management of the funds underlying the operation of the Guarantee Scheme (Ex Ante Quota and Ex Post Quota) for 2022, consistent with the provisions of Article 6.3[1] of the Cohesion Contract and Article 4.3[2] of the Loan Agreement.[3].

Contribution to the Guarantee Scheme

In order to guarantee that the Parent Company has ready access to the financial resources necessary to implement guarantee interventions, in April 2019 the participating banks established the readily available funds (RAF), represented by an Ex Ante Quota pre-established at the Parent Company and an Ex Post Quota that can be called up by the Parent Company in case of need, making contributions in the technical forms provided for in the Cohesion Contract.

The Cohesion Contract provides for the Group to conduct annual stress tests of the participating banks to quantify their potential capital requirements in an adverse scenario and verify the necessary volume of Group funds. The figures for the RAF for 2022 revealed a potential capital requirement of €651 million, broken down as follows:

- Aggregate Ex Ante Quota €338 million (€385 million for 2021);
- Aggregate Ex Post Quota: €313 million (€797 million for 2021).

As regards the adjustment of the Ex Ante Quota, the adjustment mechanism considers the effective availability of funds at the date of updating on the basis of the following information:

- an estimated of the Ex Ante Quota of the Bank for 2022;
- the fair value at December 31, 2021 of the loan disbursed by the Bank;
- the fair value of amounts of the share attributed to the Bank for support interventions conducted up to December 31, 2021.

The greater or lesser amount to be adjusted was calculated, for each participating bank, by subtracting from the amount of the Ex Ante Quota due (1) the fair value of the loan at the end of 2021 (2) and adding any intervention amounts attributed to that bank (3).

Consequently, the Parent Company requested a total of €39,515,322 from the participating banks, equal to the difference between the Ex Ante Quota for 2022 (€338,235,170) and the fair value of the loan (€405,895,815), net of the fair value of the support interventions carried out (€107,175,967).

The settlement of the Ex Ante Quotas was implemented in the first quarter of 2022 with value date 01/01/2022 by:

- debiting the settlement accounts of 116 affiliates in the total amount of €32,884,833 and the adjustment of the amount attributable to the Parent Company by €8,993,556 by means of a cash payment to the PM account dedicated to the Guarantee Scheme at the Bank of Italy;
- crediting the settlement accounts of 12 affiliates in the total amount of €2,363,067.

For Ex Post Quotas, the model for calculating the adjustment envisages subtracting, for each affiliated bank, the value of the quota outstanding at the end of the previous year from the amount of the Ex Post Quota for the current year. The application of the mechanism led to a reduction in the overall Ex Post Quota of €483,987,608 euros compared with 2021. The adjustment process was completed within the first quarter of

[1] "Within the context of the operation of the Guarantee Agreement the Parent Company shall prepare at least annually a periodic report on the participation of the affiliated banks in the Guarantee Agreement and in the formation of the Ex Ante Funds and the Ex Post Funds".

[2] "…monitoring of the execution of the Transaction shall be performed by the Lending Parties on the basis of the disclosures and reporting periodically made available by the Beneficiary, also pursuant to the provisions of the Cohesion Contract".

[3] The Cohesion Contract was signed by the Parent Company and the affiliated banks in accordance with the provisions of Article 37-bis, paragraph 3, of the Consolidated Banking Act, while the Loan Agreement was signed by the affiliated banks, as the Lending Parties, and by the Parent Company, as the Beneficiary, in order to create the loan for a specific transaction referred to in Articles 2447-bis, letter b) and 2447-decies of the Civil Code.

2022 through:

- the adjustment by the affiliated mutual banks of the credit line granted to the Parent Company;
- the adjustment by the Parent Company of the secured GS lines granted to the affiliates;
- the adjustment by the affiliated mutual banks of the securities pledged as collateral in the account associated with the secured GS line.

Interventions of the Guarantee Scheme

In compliance with the provisions of the applicable legislation, the Cohesion Contract establishes that the Intercompany Support Interventions (hereafter interventions) necessary to ensure the solvency and liquidity of the individual participating banks shall be carried out solely by the Parent Company.

The Parent Company carries out the interventions, drawing on the overall RAFs of the Guarantee Scheme, taking account of the indications of the EWS and ensuring compliance with the prudential requirements and the requests of the supervisory authorities, within the limit of the free capital of the participating banks. The interventions may consist of:

- capital support interventions to be carried out through capitalization measures (including the subscription of financing actions pursuant to Article 150-ter of the Consolidated Banking Act through the Ex Ante Quota of the RAFs);
- liquidity support interventions to be carried out through financing measures in support of liquidity (for example, financing transactions with appropriately defined maturity or securities lending);
- interventions in any other technical form deemed appropriate by the Parent Company.

Capital support interventions drawing on the Ex Ante resources of the RAFs, are attributed on a pro-rated basis to each mutual bank,[4] in accordance with the "Accounting and prudential model for the Cross-Guarantee Scheme".[5] The share of each affiliated bank in the intervention is:

- recognized in the accounts as indirect financing in a subordinated debt or equity instrument on the basis of the capital instrument issued by the beneficiary bank;
- deducted, for prudential purposes, from the component of own funds of each participating bank consistent with the type of intervention carried out at the beneficiary bank.

To date, the Guarantee Scheme has conducted capital support interventions totaling €138.5 million (nominal amount). All of the interventions were funded solely with available resources from the Ex Ante Quota of the RAFs, pursuant to Article 6.1 of the Cohesion Contract.

[4] In accordance with the "Guarantee Scheme Policy" the beneficiaries of an intervention and banks with a free capital buffer of less than 30 bp (the technical capacity margin provided for in the allotment of guarantee obligations) are excluded from the allotment of the support, with the consequent reallocation of the amount due to the other participating banks that had capital capacity available.

[5] See Guidance and Coordination Directive ICR-OUT-0291-2019-DIR of 9/4/2019 ("Documentation governing the operation of the Cross-Guarantee Scheme".

ISIN/Internal code	Instrument[6]	Beneficiary mutual bank	Subscription date	Nominal amount	Details
IT0005397010	sub. T2 loan	Vival Banca	30/12/2019	8,000,000	Term 10 years - rate 4.25%
IT0005395634	sub. T2 loan	Banca Centropadana	16/12/2019	5,000,000	Term 7 years - fixed rate 3%
IT0005395626	sub. T2 loan	Banca Centropadana	16/12/2019	10,000,000	Term 10 years - fixed rate 3%
BVALDICH8489	Art. 150-ter shares	Banca Valdichiana	26/05/2021	35,000,000	PV share 25.00 - no. shares 1,400,000
BCENTROP8324	Art. 150-ter shares	Banca Centropadana	23/06/2021	13,200,010	PV share 25.82 - no. shares 511,232
BPISAFOR8562	Art. 150-ter shares	Banca di Pisa e Fornacette	29/09/2021	19,000,032	PV share 69.65 - no. shares 272,793
VIVALBAN8003	Art. 150-ter shares	Vival Banca	29/09/2021	15,999,999	PV share 25.80 - no. shares 620,155
MASSAFRA7094	Art. 150-ter shares	BCC di Massafra	02/11/2021	1,300,000	PV share 50.00 - no. shares 26,000
BCENTROP8324	Art. 150-ter shares	Banca Centropadana	27/04/2022	6,999,983	- PV share 25.82 - no. shares 271,107
BPISAFOR8562	Art. 150-ter shares	Banca di Pisa e Fornacette	08/03/2022	20,999,963	- PV share 69.65 - no. shares 301,507
IT0005519043	Additional Tier1	Vival Banca	11/11/2022	3,000,000	- Not redeemable - Fixed rate 5%
Total				**138,499,987**	

Investment of the Ex Ante Quota of the RAFs

Pursuant to Article 5 of the Loan Agreement, the Parent Company invests the Ex Ante funds in liquid and enforceable assets, in accordance with the prescriptions, limits and requirements set out in the Investment Policy for the Ex Ante Quota of the RAFs.[7]

Bearing in mind the purpose of the Guarantee Scheme, i.e. the prompt implementation of guarantee interventions in order to safeguard the solvency and liquidity of the participating banks, the primary objective in managing the financial resources of the Scheme lies in the conservation of invested capital. Accordingly, eligible investments include euro-area government securities, supranational securities, covered bonds, ABS and deposits with the Eurosystem and financial derivatives for hedging purposes only, connected with the exercise of the fair value option, and more generally debt instruments having a yield to maturity at the time of purchase not lower than the interest rate on overnight deposits set by the European Central Bank.

[6] On the basis of the "mark to model" valuations, in accordance with the method envisaged in the Parent Company's fair value policy, the end-2022 the tables below report the prices of:

- "T2 subordinated loans":

ISIN	Issue	Mark to model prices"
IT0005397010	Vival Banca	92.347
IT0005395634	Banca Centropadana	90.272
IT0005395626	Banca Centropadana	90.272

- for the Additional Tier1 - AT1 instrument:

ISIN	Issue	Mark to model prices"
IT0005519043	Vival Banca	65.415

At December 31, 2022, no change in value was registered for the shares issued under Article 150-ter of the Consolidated Banking Act as part of the quarterly estimation of the interventions funded by the Guarantee Scheme. Accordingly, the participating banks were not required to adjust the fair value at that date.

[7] The Investment Policy for the Ex Ante Quota of the RAFs is part of the documentation of the Guarantee Scheme, approved by the Board of Directors of the Parent Company on February 28, 2019. The Investment Policy was subsequently amended by the Board of Directors of on June 24, 2021.

The following table shows the details of the investments at December 31, 2022:

Country	31/12/2022	31/12/2021
Austria	1,018,322	1,124,569
Belgium	9,486,419	10,039,376
Finland	1,232,085	1,360,153
France	40,053,015	42,715,533
Germany	29,305,143	32,406,417
Ireland	-	7,978,260
Italy	73,820,617	79,817,264
Netherlands	2,103,292	2,293,150
Supranational	25,858,495	33,303,107
Spain	56,474,230	42,783,573
Covered bonds	10,523,003	18,733,363
Liquidity	43,753,901	25,972,294
Total	**293,628,522**	**298,527,059**

Value of the transaction

Pursuant to Article 3 of the Loan Agreement, the Loan is intended exclusively for the implementation of the transaction, which has the purpose of establishing and managing the Ex Ante Quota of the Readily Available Funds in order to implement guarantee interventions to safeguard the solvency and liquidity of the affiliated banks.

On a quarterly basis, the Parent Company determines the fair value of the transaction as a result of the overall performance of the resources invested and deployed and periodically notifies the individual mutual banks of the value of their contribution to the specific transaction, equal to the pro-rated share of the total.

	31/12/2022	31/12/2021
Investment of Ex Ante Quota	293,628,522	298,527,059
Subordinated instruments subscribed as part of interventions:	20,948,080	22,695,403
- Centropadana	13,559,377	14,628,949
- Vival Banca	7,388,703	8,066,454
Shares ex Article 150-ter subscribed as part of interventions:	112,499,987	84,500,042
- Valdichiana	35,000,000	35,000,000
- Centropadana	20,199,993	13,200,010
- Pisa e Fornacette	39,999,995	19,000,032
- Vival Banca	15,999,999	15,999,999
- Massafra	1,300,000	1,300,000
Irredeemable AT1 instruments subscribed as part of interventions:	1,962,448	-
- Vival Banca	1,962,448	-
Other assets[8]	27,674	173,311
Total	**429,066,712**	**405,895,815**

Pursuant to Article 4.1 of the Loan Agreement, the revenues of the transaction consist of the investment yields[9] and the returns deriving from the implementation of the interventions. Costs are made up of management costs and possible losses deriving from the transaction and investments.

Pursuant to Article 12 of the Loan Agreement, the Parent Company pays the affiliated banks remuneration related to developments in the transaction and investment activities on the basis of the adjustments to the fair value of the loan and the accounting effects of the interventions undertaken by the Parent Company.

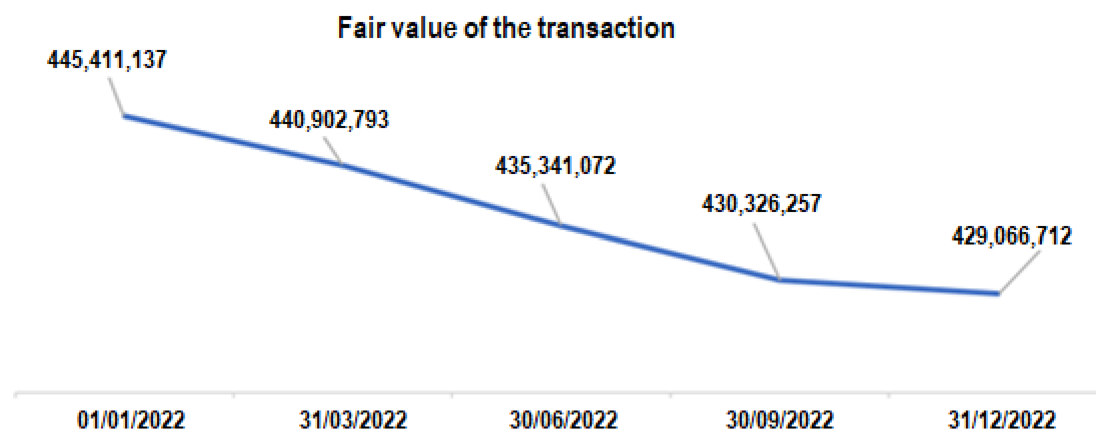
[8] Includes interest accrued on the subordinated instrument issued by Vival Banca, paid to the Parent Company with a value date of December 31, 2022 (in the total amount of €27,674) and recognized under the item "Other assets" (item 120). The interest, having been paid after December 31, 2022, will be accounted for under "Cash and cash equivalents" (item 10) after the closure of the financial year.

[9] See Article 5 of the Loan Agreement.

The following table provides a breakdown of the fair value notified periodically in 2022 and the associated changes with respect to the fair value of the transaction at January 1, 2022:

Reference date	Fair value	Change in *fair* value since January 1, 2022[10]
01/01/2022	445,411,137	
31/03/2022	440,902,793	(4,508,344)
30/06/2022	435,341,072	(10,070,065)
30/09/2022	430,326,257	(15,084,880)
31/12/2022	429,066,712	(16,344,426)

Developments in the value of the transaction are indicated below:



The quarterly change in the fair value of the transaction was attributed on a pro-rated basis to each affiliated bank and the Parent Company on the basis of their participation in the Ex Ante quota of the Guarantee Scheme in accordance with the model used by the Parent Company for the managing the separate accounts of the loan.[11]

The following table shows all the components that determined the change in the overall fair value of the investments at December 31, 2022.

	31/12/2022
Interest and similar income	2,807,198
Interest and similar expense	(111,848)
Net interest income	**2,695,350**
Fee and commission income	-
Fee and commission expense	(26,024)
Net fee and commission income (expense)	**(26,024)**
Net gain (loss) on financial assets and liabilities measured at fair value	(19,013,752)
Gross income	**(16,344,426)**
Other operating expenses/income	-
Overall performance of GS	**(16,344,426)**

See the following section for a breakdown of the individual items.

[10] With a reference date of 31/03/2022, the notice was transmitted to the affiliated banks on April 14, 2022 with Guidance and Coordination Notice Prot. ICR-OUT- 000359-2022-DG “Periodic notice on operation of the Cross-Guarantee Scheme (GS) - reference date 31/03/2022”.

With a reference date of 30/06/2022 the notice was transmitted to the affiliated banks on July 8 ,2022 with Guidance and Coordination Notice Prot. ICR-OUT- 000815-2022-DG “Periodic notice on operation of the Cross-Guarantee Scheme (GS) - reference date 30/06/2022”.

With a reference date of 30/09/2022 the notice was transmitted to the affiliated banks on October 12, 2022 with Guidance and Coordination Notice Prot. ICR-OUT- 0001124-2022-DG “Periodic notice on operation of the Cross-Guarantee Scheme (GS) - reference date 30/09/2022”.

With a reference date of 31/12/2022 the notice was transmitted to the affiliated banks on January 12, 2023 with Guidance and Coordination Notice Prot. ICR-OUT-000003-2023-DG “Periodic notice on operation of the Cross-Guarantee Scheme (GS) - reference date 31/12/2022”.

[11] The model provides for all financial components that affect the financial statements of Iccrea Banca in relation to the management of the funds relating to the transaction, whether generated by valuation or income and charges connected with the management of the funds, to be offset in profit or loss by an item of the opposite sign in order to attribute to the providers of the financing with the net result of the overall management of the funds during the period in question.

ACCOUNTS OF THE LOAN FOR A SPECIFIC TRANSACTION

The rules governing the loan for a specific transaction require the adoption of dedicated/separate accounts that ensure the segregation and the separation of income and all other amounts generated by the investment of the liquidity of the loan from the resources of the Parent Company and the companies of the Group.

The model used by the Parent Company to manage the separate accounts of the loan provides for all financial components that affect the financial statements of Iccrea Banca in relation to the management of the funds relating to the transaction, whether generated by valuation or income and charges connected to the management of the funds to be offset in profit or loss by an item of the opposite sign in order to provide the providers of the financing with the net proceeds of the overall management of the funds during the period in question.

Balance sheet – Assets

The tables are presented in euros.

Assets	31/12/2022	31/12/2021
10. Cash and cash equivalents	43,753,901	25,972,294
20. Financial assets measured at fair value through profit or loss	272,785,150	295,250,168
b) financial assets designated as at fair value	270,822,702	295,250,168
c) other financial assets mandatorily measured at FV	1,962,448	-
70. Equity investments	112,499,987	84,500,042
120. Other	27,674	173,311
Total assets	**429,066,712**	**405,895,815**

Cash and cash equivalents

The amounts regard resources not invested in securities and held on the account of the Guarantee Scheme at the Bank of Italy (€38,517,747) and liquidity held on the account held with (€5,236,154).

Financial assets measured at fair value

Assets measured at fair value regard financial instruments subscribed by the Parent Company in accordance with the Investment Policy for the Ex Ante Quota of the readily available funds. The following table provides a breakdown of the financial instruments subscribed:

Country	31/12/2022	31/12/2021
Austria	1,018,322	1,124,569
Belgium	9,486,419	10,039,376
Finland	1,232,085	1,360,153
France	40,053,015	42,715,533
Germany	29,305,143	32,406,417
Ireland	-	7,978,260
Italy	73,820,617	79,817,264
Netherlands	2,103,292	2,293,150
Supranational	25,858,495	33,303,107
Spain	56,474,230	42,783,573
Covered bonds	10,523,003	18,733,363
Subordinated bonds subscribed as part of interventions:	20,948,080	22,695,403
- Centropadana	*13,559,377*	*14,628,949*
- Vival Banca	*7,388,703*	*8,066,454*
Irredeemable AT1 instrument:	1,962,448	-
- Vival Banca	*1,962,448*	-
Total	**272,785,150**	**295,250,168**

Equity investments

The amount regard Article 150-ter shares subscribed by the Parent Company for capital support interventions in 2021 and 2022:

Equity investment	31/12/2022	31/12/2021
Valdichiana	35,000,000	35,000,000
Centropadana	20,199,993	13,200,010
Pisa e Fornacette	39,999,995	19,000,032
Vival Banca	15,999,999	15,999,999
Massafra	1,300,000	1,300,000
Total	**112,499,987**	**84,500,042**

Other

The item includes the interest accrued on the subordinated loan issued by Vival Banca, paid to the Parent Company with a value date of December 30, 2022. As it was paid after December 31, 2022, the interest will be recognized under “cash and cash equivalents” (item 10) after the close of the year.

Balance sheet – Liabilities

The following tables are stated in euros.

Liabilities	31/12/2022	31/12/2021
30. Financial liabilities designated as at fair value	352,483,759	335,391,646
80. Other liabilities	76,582,953	70,504,169
Total liabilities	**429,066,712**	**405,895,815**

Financial liabilities designated as at fair value

The item includes the Ex Ante Quota of the affiliated banks (€241.13 million, adjusted to account for the performance of the dedicated loan at December 31, 2022, and the fair value of the indirect financing in i) irredeemable instruments (AT1) issued by Vival Banca, ii) subordinated debt securities issued by Banca Centropadana and Vival Banca and iii) equity instruments issued by Banca Valdichiana, Banca Centropadana, BCC di Pisa e Fornacette, Vival Banca and BCC Massafra (totaling €111.36 million).

Other liabilities

Other liabilities regard the Ex Ante Quota pertaining to the Parent Company (€52.5 million), adjusted to account for the performance of the dedicated loan at December 31, 2022 and the indirect financing in i) irredeemable instruments (AT1) issued by Vival Banca, ii) subordinated debt securities issued by Banca Centropadana and Vival Banca and iii) equity instruments issued by Banca Valdichiana, Banca Centropadana, BCC di Pisa e Fornacette, Vival Banca and BCC Massafra (totaling €24.0 million pertaining to the Parent Company).

Income statement

	31/12/2022	31/12/2021
10. Interest and similar income	2,807,198	3,097,846
20. Interest and similar expense	(111,848)	(221,505)
30. Net interest income	**2,695,350**	**2,876,341**
50. Dee and commission expense	(26,024)	(32,673)
60. Net fee and commission income (expense)	**(26,024)**	**(32,673)**
110. Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss	(19,013,752)	(4,471,021)
110.a financial assets and liabilities designated as at fair value	(17,976,200)	(4,471,021)
of which gain/loss on debt securities	*(234,427)*	*(137,036)*
of which minus/plus on debt securities	*(17,741,773)*	*(4,333,985)*
110.b other financial assets and liabilities mandatorily measured at fair value	(1,037,552)	-
of which gain/loss on equity securities (AT1)	-	-
of which minus/plus on equity securities (AT1)	*(1,037,552)*	-
Performance of GS	**(16,344,426)**	**(1,627,353)**
110. Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss - of which portion allocated to affiliated banks	13,429,654[12]	1,342,919
200. Other operating expenses/income – of which Ex Ante Quota pertaining to Parent Company	2,914,772[13]	284,434
300. Net profit (loss) for the period	0	0

The model provides that all the income components affecting the Iccrea Banca financial statements in relation to the management of the funds connected with the transaction, whether they derive from valuation or from income and charges connected with the management of the funds, be offset through the recognition of an item of the opposite sign that allocates to the lenders the performance achieved on managing the loan funds during the relevant period. This is the reason the profit/loss for the period is zero.

Interest and similar income

Interest income includes interest accrued on financial instruments held.

Interest and similar expense

Interest expense includes interest paid on the Euroclear account (amounting to €3,613) and the PM account held at the Bank of Italy (€108,235).

Fee and commission expense

The item includes custody fees and expenses paid to Euroclear Bank SA (€20,209) and account fees paid to the Bank of Italy (€5,816).

[12] In Iccrea's income statement, item 110.a. Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss is reported net of the share re-allocated to the affiliated banks (equal to -€5,584,098). The item breaks down as follows:

110.	Net gain (loss) on financial assets and liabilities measured at fair value through profit or loss	(5,584,098)
	of which assets and liabilities designated as at fair value	(19,013,752)
	▪ *of which gain/loss on debt securities*	(234,427)
	▪ *of which minus/plus on debt securities*	(18,779,325)
	of which: change in value of financial liabilities designated as at fair value (share attributed to mutual banks)	13,429,654

[13] In the income statement, the change in the Ex Ante Quota pertaining to the Parent Company is reported under item 210. Other operating expenses/income.

Net gain (loss) on other financial assets and liabilities measured at fair value through profit or loss - a) financial assets and liabilities designated as at fair value

The item includes the increase in the fair value of the financial instruments subscribed in accordance with the Investment Policy for the Ex Ante Quotas of the readily available funds, less the quota for the period reattributed to the affiliated banks on a pro-rated basis in accordance with the accounting model established for the dedicated loan.

110	Financial assets and liabilities designated as at fair value	(5,584,095)
	– of which: Net gain (loss) of financial assets and liabilities designated as at fair value	(19,013,752)
	– of which: Change in the value of financial liabilities designated as at fair value	13,429,654

Other operating expenses

This item includes the changes in the value of the Ex Ante Quota pertaining to the Parent Company associated with the result of the management of the dedicated loan at December 31, 2022.

Application of the compensation mechanism for 2022

In accordance with the provisions of Article 7 letter h of the Cohesion Contract, the contributions paid by the participating banks to the Guarantee System are remunerated. More specifically, participating banks that generate a larger guarantee requirement than that attributed pay a premium to participating banks that generate a smaller guarantee requirement than that attributed to them.

The model for applying the compensation mechanism is defined in Annex A to the Guarantee Scheme Policy.

The premium paid/collected by the participating banks for their contribution to the generation/coverage of the requirement is determined by applying a rate of remuneration (differentiated by type of requirement attributed and generated: Ex Ante and Ex Post).

For 2022 the Parent Company set:

- with regard to the Ex Ante Quota, given the fact that the total Ex Ante requirement estimated following the stress test was approximately €176 million (0.26% of the RWAs of the participating banks) and that therefore the amount of the Ex Ante Quota allocated corresponded to the minimum (equal to 0.50% of the sum of the RWAs of the participating banks) envisaged under the Cohesion Contract (see Annex 3 - Guarantee Agreement), the compensation premiums were nil;
- with regard to the Ex Post Quota, the application of a remuneration rate equal to the daily average of the returns of Italian 5y government security in the period between January 1, 2021 and December 31, 2021, Bloomberg ticker GBTPGR05 (equal to 0.086%). Accordingly, 97 banks received a total premium of €0.152 million, commensurate with the difference between the Ex Post Quota allocated and the Ex Post requirement generated. This expense was charged to 32 banks, which generated a guarantee requirement greater than the contribution paid to the System.

The amounts were settled through the Parent Company in arrears at December 31, 2022 with the debiting or crediting of the settlement accounts of each bank.

Annual adjustment of the RAFs for 2023

The stress test conducted for 2022-2024 found the following allotment of the RAFs for 2023 at the Group level:

- aggregate Ex Ante Quota: €323 million (compared with €338 million for 2022);
- aggregate Ex Post Quota: €323 million (compared with €313 million for 2022).

The resulting guarantee obligations for each participating bank were transmitted to the banks through the Guidance and Coordination Directive "Final results of the GD stress test conducted for the update of the RAFs valid for 2023, distribution of the guarantee obligations and 2023 EWS capital thresholds".[14]

Based on the quantification of the guarantee obligations, each bank will be notified, with a specific directive, of the amount by which it must increase or decrease its Ex Ante and Ex Post quota for 2023.

With regard to the Ex Ante Quota, the participants will be required to pay in a total of €29,419,767, corresponding to the difference between the Ex Ante Quota for 2023 (€323,095,441) and the fair value of the loan (€429,066,712), net of the fair value of the support interventions carried out (€135,391,037).

The settlement of the Ex Ante Quotas will involve the debiting/crediting - through the Parent Company – of the daily settlement accounts of each affiliated bank with a value date of January 1, 2023. The adjustment of the Ex Ante Quota for 2023 will update the resources available for the implementation of the transaction referred to in Article 3 of the Loan Agreement.

With regard to the Ex Post Quota, the participants will be required, with a specific Directive, to adjust the agreed credit line with the Parent Company and the securities pledged to guarantee the liquidity lines granted in the same amount by the Parent Company to the participating banks, in line with the functioning of the Ex Post Quota mechanism. Overall, the agreed credit line increases by €9,872,031, defined as the difference between the Ex Post Quota for 2023 (€323,095,441) and the Ex Post Quota at December 31, 2022 (€313,223,410).

[14] See Prot. ICR-OUT-001260-2022-DIR-I&C a ICR-OUT-001377-2022-DIR-I&C of November 14 2022.

REPORT OF THE AUDIT FIRM

Iccrea Banca S.p.A.

Independent auditor’s report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

(translation of the original report issued in Italian)*

Financial statements as of 31 December 2022

ORMB/NSDN/vbrb- R2023/00540

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Independent auditor's report in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

(translation of the original report issued in Italian)*

To the Shareholders of Iccrea Banca S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Iccrea Banca S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2022, and the income statement, the statement of comprehensive income, the statement of changes in shareholder's equity and the statement of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European with the regulations issued to implement article 43 of Legislative Decree No. 136/2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the section of this report titled *Auditor's responsibilities for the audit of the financial statements*. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Mazars Italia S.p.A.
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Classification and valuation of financial loans to customers

For further information, please refer to the Explanatory Notes:

“Part A – Accounting policies" – Section A.2 paragraph 3. “Financial assets measured at amortized cost ".

“Part B – Information on the balance sheet” - Section 4 “Financial assets measured at amortized cost".

"Part C – Information on the income statement”: Section 8 “Net losses/recoveries for credit risk”

"Part E – Risk and risk management policies”: “Section 1 Credit risk".

Description of the key audit matters	Audit procedures
Loans to customers measured at amortized cost, which are reported on line 40 b) of the balance sheet assets, as of 31 December 2022 amount to Euro 7.079 million, representing 12% of total assets. Their classification and evaluation provided by the directors is relevant for the audit in consideration of their significance, either with reference to the intrinsic complexity of the process of determining the expected losses and by the subjectivity in the formulation of the estimation processes, also in consideration of the uncertainty of the current macroeconomic context. Amongst the estimation factors, are of particularly significant the determination of the parameters for the estimation of expected credit losses (ECL), with the inclusion of forward-looking factors for the determination of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and the determination of future cash flows deriving from impaired loans. Additional and significant aspects to the audit are the derisking activities coordinated by the Parent Company through the transferring of impaired credit exposures, as well as the evolution of the regulatory and methodological framework on credit risk.	In response to this key aspect, the audit approach adopted involved the following procedures: • analysis and understanding of the internal control system, as well as internal procedures related to the monitoring of the quality of portfolio and the management of credit risk, as well as related measurement of expected losses; • verification of the correct implementation and operational effectiveness of controls, relevant for the purposes of the credit classification and assessment process, including the controls concern the IT system; • verification of the accurate determination of the parameters of PD, LGD and EAD relevant for the purpose of determining the value adjustments, as well as the verification of the classification criteria used in order to link loans to customers to the homogeneous categories of risk envisaged by the accounting standard IFRS 9 (so-called "staging allocation"); • execution of comparative analysis procedures with reference to the most significant variations in the cost of risk compared to the data of the previous year, by obtaining and analysing the monitoring reports internally prepared and discussing the results with the Head of Risk Management;

Classification and valuation of financial loans to customers	
	• performing compliance and testing procedures on a sample base of practices aimed at verifying the correct classification and valuation of credit exposures; • verification of the correct accounting treatment of transactions involving the sale of non-performing loans and probable defaults carried out during the year; • verification of the adequacy and compliance of the information provided in the explanatory notes. The procedures described above were also carried out with the support of experts and specialists in the field of valuation models and financial tools and information systems.

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Measurement of equity investments

For further information, please refer to the Explanatory Notes:

“Part A – Accounting policies" – Section A.2 paragraph 5. “Equity Investment”

“Part B – Information on the balance sheet” - Section 7.5 “Equity investments – Changes for the period of the notes to the financial statements”.

"Part C – Information on the income statement”: Section 15 “Profit (loss) from equity investments”

Description of the key audit matters	Audit procedures
Equity investments, which are reported in line item 70 of the balance sheet, amounted to Euro 1.569 million net of the impairment of Euro 2 million at December 31, 2022. Conforming to IAS 36, in the presence of indicators of possible reductions in value (triggers), the investments are subjected to an impairment test in order to verify whether there is objective evidence that may compromise the entire recoverability of the book value of the assets themselves and the determination of any write-downs. The process and procedures for determining the recoverable value of equity investments are based on assumptions that considering the nature of the items involved, the use of management judgment, especially regarding the identification of impairment indicators and the determination of the long-term growth rates.	In response to this key aspect, the audit approach adopted involved the following procedures: • understanding of the internal control system and internal procedures relating to the evaluation process of equity investment; • analysing the impairment test procedure approved by the Board of Directors on March 31, 2023; • analysing the report of the external consultant on the determination of recoverable value of the single equity investments conducted as part of the impairment testing; • verifying the mathematical accuracy of the calculations in the impairment testing performed by the Company. • verification of the adequacy and compliance of the information provided in the explanatory notes. The procedures described above were also carried out with the support of experts and specialists on business valuation models.

Responsibilities of the directors and board of statutory auditors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union *as well as with the regulations issued to implement article 43 of Legislative Decree No. 136/2015* and, according to the terms prescribed by law, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company’s ability to continue as a going concern and for the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and for appropriate disclosure thereof. In preparing the financial statements, the directors use the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations or has no realistic alternative but to do so.

The board of statutory auditors ("collegio sindacale") is responsible for overseeing, according to the terms prescribed by law, the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of the audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures in response to those risks; we obtained sufficient and appropriate audit evidence on which to base our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- we obtained an understanding of the internal control relevant to the audit in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Where a material uncertainty exists, we are required to draw attention, in our auditor's report, to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, subsequent events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner as to give a true and fair view.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated to them any circumstances that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to those charged with governance, we identified those that were of most significance in the audit of the financial statements of the current period and are therefore representing the key audit matters. We described these matters in our auditor's report.

Additional disclosures required by article 10 of Regulation (EU) No. 537/2014

On 28 May 2021, the shareholders of Iccrea Banca S.p.A. in general meeting engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2021 to 31 December 2029.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors ("collegio sindacale"), in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on compliance with other laws and regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Iccrea Banca S.p.A. are responsible for preparing a directors' report of Iccrea Banca S.p.A. as at 31 December 2022, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the directors' report with the financial statements of Iccrea Banca S.p.A. as at 31 December 2022 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the directors' report is consistent with the financial statements of Iccrea Banca S.p.A. as at 31 December 2022 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 20 April 2023

Mazars Italia S.p.A.

Signed on the original

Olivier Rombaut
Partner – Registered auditor

(*)This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.